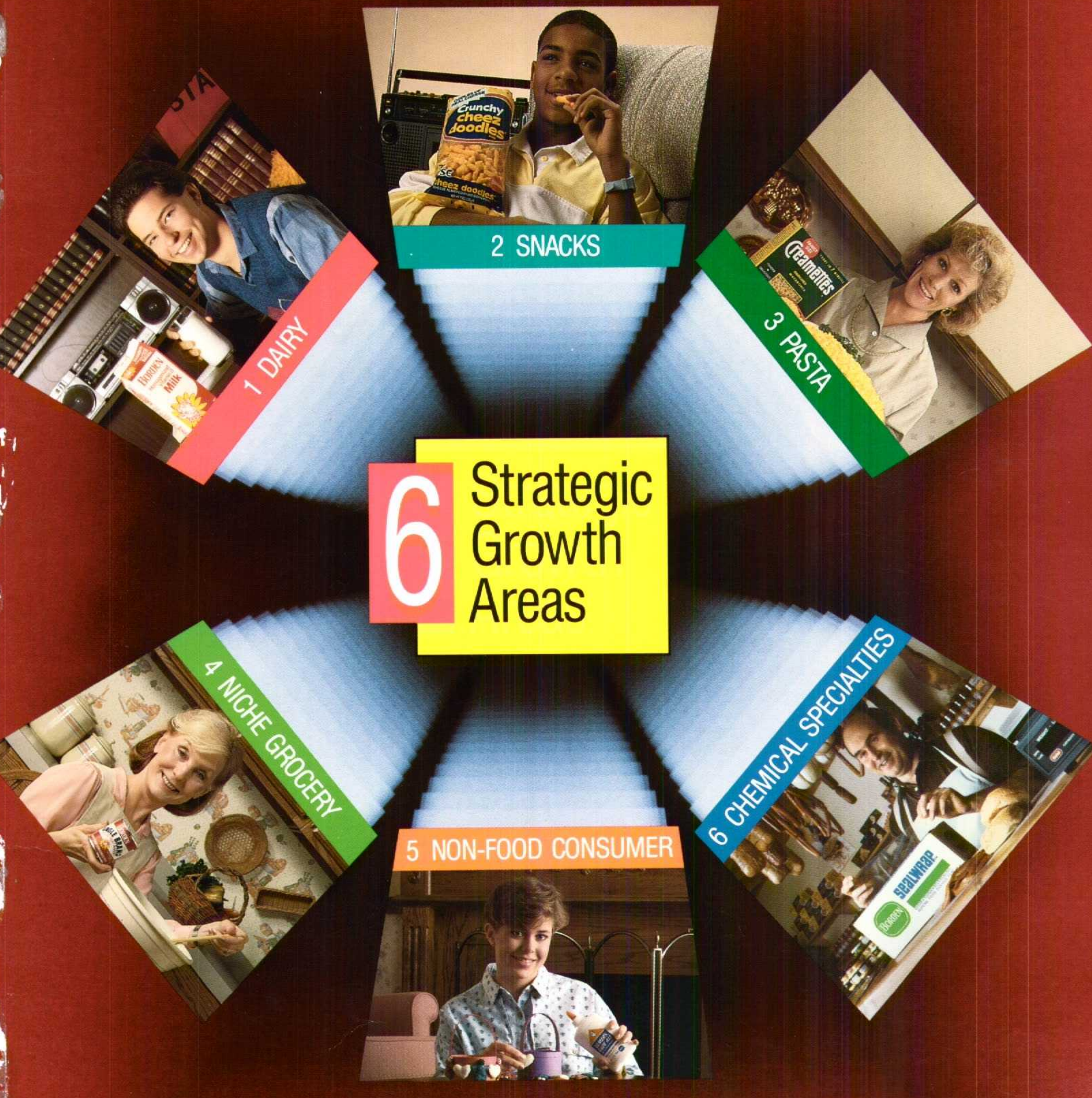
BORDEN

1987 ANNUAL REPORT



- BORDEN, INC., founded in 1857, is a diversified producer and marketer of packaged foods, non-food consumer products and chemical specialties.
- We operate throughout the United States and in 36 other countries.
- Consumers worldwide choose our brand-name products for their quality and value.
- Borden has the economies and synergies of a single large enterprise, coupled with the benefits of a unique, regionalized approach to manufacturing, marketing and general management. We have grown profitably under this operating structure.
- Today we hold number one or number two market positions, in the United States or worldwide, in all six of our strategic growth areas: dairy, snacks, pasta, niche grocery products, non-food consumer products and chemical specialties.
- We intend to continue our profitable growth in these chosen areas through carefully focused acquisitions that complement the growth we will achieve in our existing businesses.
- Consistently profitable growth is key to building more value for Borden shareholders and maintaining the financial strength that has allowed us to pay 311 consecutive dividends from 1899 through year-end 1987.

(In thousands except per share and percentage amounts) Year Ended December 31	1987	1986	% Change
Operating Results (for the year)			
Net sales	**$6,514,422**	$5,002,097	+30.2
Income taxes	**206,200**	166,900	+23.5
Net income	**267,056**	223,312	+19.6
Net income per common share	**3.62**	3.00	+20.7
Dividends:			
Common share	**1.24**	1.093	+13.4
Preferred series B share	**1.32**	1.32	
Total dividends	**91,433**	81,347	+12.4
Acquisitions	**442,648**	556,160	
Capital expenditures	**201,773**	163,017	+23.8
Financial Position (at year-end)			
Working capital	**$ 721,841**	$ 432,132	+67.0
Current ratio	**1.6:1**	1.4:1	
Total debt to adjusted total capitalization	**44%**	42%	
Shareholders' equity	**$1,658,849**	$1,438,743	+15.3
Equity per common share	**22.52**	19.54	+15.3
Common shares outstanding	**73,653**	73,625	
Return on average shareholders' equity	**17.2%**	15.7%	

CONTENTS

Borden, Inc. trademarks are shown in italics throughout this annual report.

Letter to Shareholders and Employees

Borden's momentum for growth continues to build.

There are many ways for shareholders and management alike to gauge momentum – that is, the mass we have attained in our businesses and the speed we have shown in building and improving them.

Financial performance is one such indicator. 1987 was another outstanding year for Borden:

- Sales jumped 30% to $6.5 billion;
- Operating income rose 23% to $614 million;
- Net income and earnings per share climbed 20% to $267 million, and 21% to $3.62 per share, respectively; and
- Return on shareholders' equity (ROSE) advanced to 17.2% from 15.7%.

Borden's track record in improving these financial yardsticks is shown below. We expect another good, on-trend performance in 1988, assuming no major upsets in the U.S. or world economies. Our own businesses were unaffected by the stock market crash last October. Sales will pass the $7 billion mark, even without the contributions of several acquisitions and joint ventures nearing completion. Earnings per share are expected to rise at least 15%.

* * *

Our momentum is also evident through the leadership positions we have built in each of our six strategic growth areas:

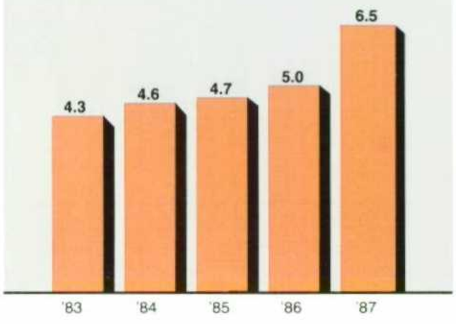
- Dairy – We have unquestioned leadership in the U.S. and world dairy business.
- Snacks – We are the number two U.S. salty snack producer, and number one in the West German market for sweet baked snacks and specialty breads.
- Pasta – We are the world's largest pasta producer, the largest producer by far of branded pasta in the United States and the only firm to achieve a national pasta brand.
- Niche Grocery – We have a growing family of niche grocery products, already including 28 brands that give us number one or number two market positions, nationally or regionally, in 23 product categories; we have various brands that lead niche categories in other parts of the world as well.
- Non-Food Consumer – We are the world's second-largest producer of wallcoverings, and we market the top-selling U.S. brands of household glues and spray paints.
- Chemical Specialties – We are leaders in our chemical specialties businesses, ranking number one in world forest products resins, number two in U.S. foundry resins and number one in U.S. polyvinyl chloride film.

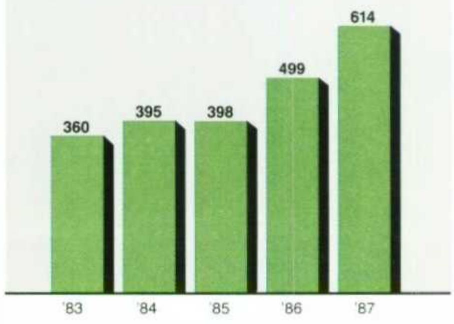
* * *

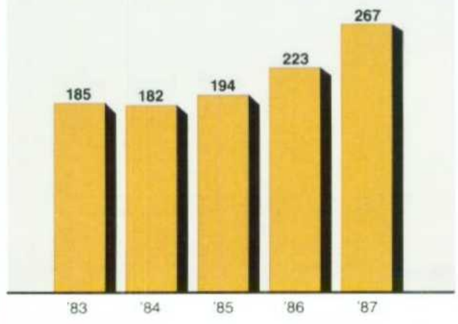
Borden is growing because our existing businesses are growing. They have added sales dollars by introducing new products, widening the sales territories of established products and capturing greater share of market through the ideas and initiatives of our people.

Borden is growing because of leadership in regional marketing and management. First, we give retailers the types of locally tailored products, promotions and services that consumers respond to in a particular area. Second, we benefit from our national networks of regional snack, pasta and dairy operations. Their in-place distribution channels are cost-effective vehicles for rolling out overlays of national brands, to be sold on store shelves alongside their regional brands. Borden achieves the economies of scale of a national company in purchasing, manufacturing and administration as well as in distribution, all without sacrificing the advantages of a regional business approach.

And Borden is growing through acquisitions. As reported to you a year ago, we completed 15 acquisitions in 1986, and their combined cost of about $560 million was double the total for all acquisitions during the prior five years.







We sustained this momentum in 1987 by completing 23 more acquisitions. Our two-year total now stands at 38, having a combined cost of approximately $1 billion. These companies and businesses should contribute more than $2 billion to Borden sales on a full-year basis.

The largest and most significant of our 1987 purchases were:

- The Prince Company, which brought us from a small presence in the New England pasta market to number one in the region;
- Albadoro, S.p.A., an Italian pasta company that we hope to be the first of several in Europe;
- Laura Scudder's, Inc., the second-largest snack producer in California, where we had no prior distribution;
- The Snacktime Company, a snack producer in the Midwest that added several cities to our distribution system and expanded our coverage in others;
- The Jaus and Kuntzle sweet baked snacks and specialty breads companies in West Germany, which lifted our group of commercial and retail bakery operations to number one in Germany in sales; and
- The *Orleans*, *Cutcher*, *Harris* and *DeJean's* lines of canned shrimp, crabmeat and oysters, which helped us to reach our objective of becoming the only full-line U.S. supplier of canned seafood specialties.

We also made smaller strategic acquisitions that strengthened our dairy, wallcovering and chemical specialties growth areas.

A 24th acquisition announced in 1987 was completed in February 1988. Our Crown wallcovering unit in the United Kingdom purchased Borges GmbH, a leading wallcovering firm in West Germany.

Several other acquisitions were also completed in the early weeks of 1988, including Humpty Dumpty Foods Ltd., a major snack company in eastern Canada; Mantecados Nevada, Inc., the second-largest ice cream producer in Puerto Rico; and Bob Mitchell Design Co., a California producer of high-fashion wallcoverings.

A major expansion is pending in dairy. We are seeking government clearance to form a joint venture with the Dairymen, Inc. farmer cooperative. This would combine both companies' operations in states in the Southeast and Middle Atlantic regions. Borden would manage the venture, which offers excellent opportunities for cost savings through more efficient purchasing, production and distribution. About $400 million would be added to our annual sales.

* * *

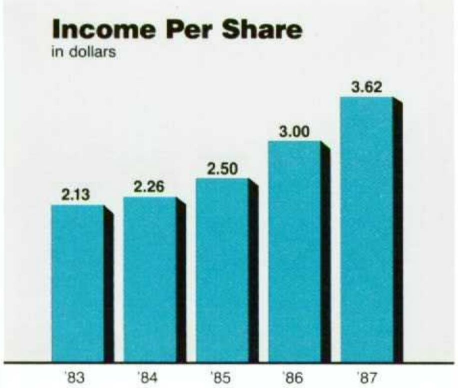
Every one of our acquisitions fits neatly into Borden's six strategic growth areas, which were introduced in the 1986 annual report and are featured again this year.

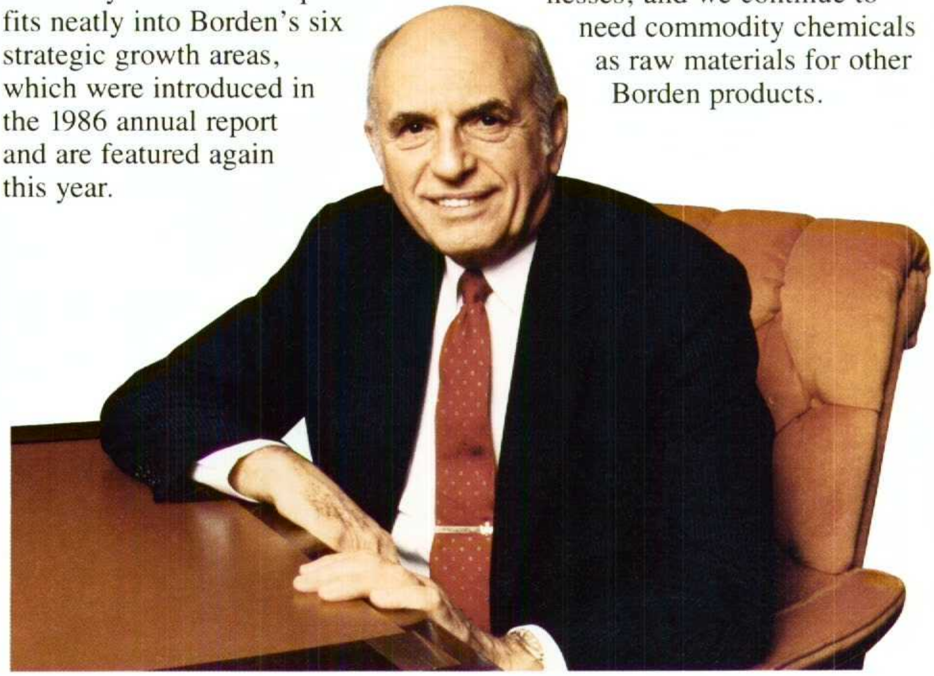
Without having defined these six business areas, we could not have achieved the momentum we have demonstrated for growth through acquisition. We have moved rapidly and decisively because we know exactly the types of businesses to bring into our family.

We have not strayed, and we do not intend to stray, from our six strategic growth areas. There will likely be a shift, however, toward more international activity. We are evaluating opportunities and prospects in each of our six growth areas, in various parts of the world. Japan is an especially attractive area; we want to add more consumer products businesses in Japan like the successful ventures we already have.

Sharp strategic focus also helps to identify the businesses that do not fit into Borden's future. Several were divested during 1987, including the Vogel's foodservice unit, the Polyco emulsion polymers operation and two small units acquired with Prince.

More important, we have greatly reduced our assets in commodity chemicals. We withdrew from other commodity businesses in the early 1980s. Chemicals was the best of our commodity businesses, and we continue to need commodity chemicals as raw materials for other Borden products.





R. J. Ventres

The business is nevertheless cyclical and capital intensive. The formation of Borden Chemicals and Plastics Limited Partnership provided a structure that eliminated these concerns, obtained the most value for the assets and protected our raw material supply.

On November 30, 1987, Borden transferred its basic chemicals and polyvinyl chloride (PVC) resins assets to the new Partnership. The transfer resulted in $413 million net cash for Borden to invest in its six strategic growth areas and for other corporate purposes.

Through subsidiaries, Borden, Inc., retains a combined 25% ownership interest in the Partnership and its subsidiary operating partnership (units representing the remaining 75% ownership interest are publicly traded on The New York Stock Exchange under the symbol "BCP"). We have agreed to retain our ownership interest and to manage the business for at least 10 years. In addition, we have signed long-term contracts to purchase various products from the Partnership, for example, PVC resins for making our vinyl wallcoverings, and methanol and urea for forest products resins.

About 2% of Borden's total assets remained in commodity chemicals at year-end. We were four years early in meeting, and we exceeded by a wide margin, a target we had set for 1991 of less than 10%.

The cash we received from the transfer underscores Borden's overall financial strength. We entered 1988 with about $200 million in uncommitted cash – a luxury we did not have a year ago – which can be applied to help sustain our growth momentum. Our ratio of total debt to adjusted total capitalization was 44% at year-end, a level that is median for the food industry. And just a short while after the tumultuous stock market crash in October, we were able to issue new debt at an interest rate not much above comparable U.S. treasury securities.

Our financial strength gives us the ability to raise dividends. The Board of Directors increased the quarterly rate last April, making 1987 the 14th consecutive year of an increased annual dividend. I will recommend to the Board that it increase the dividend as warranted by Borden's earnings growth.

* * *

Continued momentum for growth in our six strategic areas depends ultimately on a seventh growth area: continued development of the 42,000 Borden employees around the world. We are increasing our investment in management development, employee training and employee communication programs to foster the potential of our people.

Borden has a lean and enthusiastic organization, great depth in management and employees who demonstrate each day the creativity and perseverance that characterized our founder, Gail Borden.

We pledge to stay lean and enthusiastic even as we increase our management depth. In turn, we expect Borden managers to multiply individual opportunities for growth and advancement for the people who report to them, and to nourish and recognize in every way the creativity of those people.

* * *

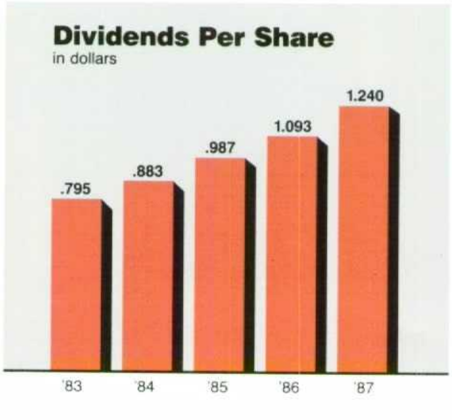
Borden also benefits from the diverse experience of our Board of Directors. Their counsel has been invaluable during my first year as chief executive officer, and I will continue to take full advantage of their perceptions and insights.

Let me thank all of our directors for their contributions to Borden, and especially two who have retired – James D. Finley, a director for 20 years, and Ward S. Hagan. Both performed their duties diligently and constructively.

We are fortunate to have added as directors Wilbert J. LeMelle, president of Mercy College, and Frank J. Tasco, chairman and chief executive officer of Marsh & McLennan Companies, Inc. We look forward to their support and guidance.

* * *

Borden has exceptional strength today in its selected businesses, its financial resources and its people. These factors have given us exceptional momentum for growth, and with that, increasing value for shareholders.



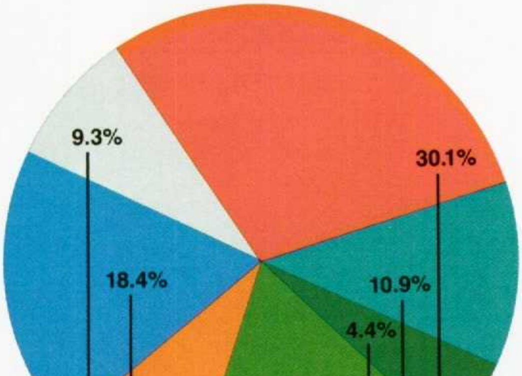
R. J. Ventres
Chairman and
Chief Executive Officer

Six Strategic Growth Areas

We strengthened our positions in 1987 throughout the six business areas that Borden has selected for growth. Our progress reflects an active program of acquisitions, and success in launching new products, widening sales territories and increasing market share.

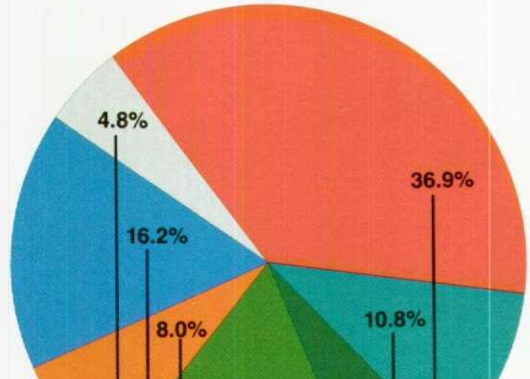
We intend to sustain our growth momentum. We have an excellent business base to build upon. We have the financial strength to fund substantial growth. And we have the talented and enthusiastic people to move us forward.

1986 Sales



in millions	
$1,506	Dairy
546	Snacks
218	Pasta
906	Niche Grocery
441	Non-Food Consumer
921	Chemical Specialties
464	Other
$5,002	**Total**

1987 Sales



in millions	
$2,402	Dairy
705	Snacks
417	Pasta
1,102	Niche Grocery
519	Non-Food Consumer
1,054	Chemical Specialties
315	Other
$6,514	**Total**

Other – Divested operations, and basic chemicals / polyvinyl chloride resins business transferred in 1987 to Partnership; prior year values: 1983, $487 million; 1984, $592 million; 1985, $578 million.

1
Dairy

Borden is the largest U.S. and worldwide dairy company. From 75 domestic processing facilities, we provide consumers in 38 states with milk, ice cream and frozen novelties, cottage cheese, yogurt, butter and refrigerated juices. Our *Borden*, *Meadow Gold* and other well-known brands are respected for quality and freshness that justify premium prices. Outside the United States, we have dairy units in Latin America; our *Lady Borden* ice cream is the leading premium brand in Japan; and worldwide we manufacture and market *KLIM* whole milk powder.

One of our major accomplishments in 1987 was bringing the Meadow Gold Dairies, Inc. unit (acquired in December 1986) into the Borden family. Meadow Gold was a significant acquisition, accounting for most of our nearly $900 million increase in 1987 domestic dairy sales. It broadened our market reach from 24 states to today's 38, and from covering 35% of the population to more than 50%.

Meadow Gold dairies enjoy the same local management autonomy that has always characterized Borden's dairy operation. Each Borden and Meadow Gold dairy has the product mix and marketing flexibility of a local business, but behind each is the brand strength, quality assurance, financial backing, purchasing leverage, sophisticated technology and marketing support of a multi-billion-dollar national company.

Meadow Gold's new association with Borden is already beginning to help its profits. For example, Meadow Gold benefited in 1987 from the transfer of process technologies; cost savings with the move of its administrative function to the Borden Dairy headquarters in Houston, Texas; manufacturing consolidations and cooperation; and lower per-unit costs for packaging and other raw materials achieved by joint purchasing.

Through the use of cross-branding techniques, we are starting to realize an increase in sales volume for selected dairy products. For example, Meadow Gold's popular *Turtles** and *S'mores* ice cream novelties have been launched in Borden sales areas under the *Borden* brand –

* A trademark of Rowntree Mackintosh Canada.

The Borden Dairy Division is the largest fluid milk producer in the United States.

adding millions more customers with minimal distribution cost. Borden's new *Cracker Jack* ice cream bar is being distributed in Meadow Gold regions.

Value-added products introduced in 1987 to spark growth include premium quality (and premium priced) chocolate milk, buttermilk and egg nog. Borden's *Eagle Brand* premium ice cream, Meadow Gold's *Olde Fashioned Recipe* ice cream and *Borden Hi-Calcium* lowfat milk each rolled out into new market regions.

This year we will focus new product and promotional efforts on fortified skim milks and on low-calorie, lowfat dairy products that meet the preferences of today's consumer. Ice cream novelties sweetened with aspartame, for example, are planned for introduction.

In launching new products and marketing the existing lines, Borden dairies have the support of *Elsie the Cow*, the most widely used food-packaging symbol in the world. *Elsie* represents wholesomeness and quality as the focal point of our dairy advertising, merchandising and public relations activities.

Dairy

Borden whole, lowfat, skim and chocolate milks and buttermilk; cottage cheese, sour cream, whipping cream and other creams; egg nog; orange juice; fruit drinks
- ***Hi-Calcium*** milk
- ***Hi-Protein*** milk
- ***Lite-line*** milk, cottage cheese and yogurt
- ***Thirstee Smash*** fruit drinks

Borden ice cream and frozen novelty bars, sandwiches and pops
- ***Eagle Brand*** ice cream
- ***Lady Borden*** ice cream
- ***Cracker Jack, Frostick, Mississippi Mud*** and ***Juice Stix*** novelties

Meadow Gold whole, lowfat, skim and chocolate milks and buttermilk; cottage cheese, sour cream, whipping cream and other creams; egg nog; orange juice; fruit drinks
- ***Mountain High*** yogurt
- ***Viva*** lowfat and extra-calcium milks, cottage cheese and yogurt

Meadow Gold ice cream and frozen novelty bars, sandwiches and pops
- ***Olde Fashioned Recipe*** ice cream
- ***Turtles*** and ***S'mores*** novelties

Regional:

Borden citrus punch (Florida)
Hotel Bar butter (New York)
Keller's butter (Philadelphia)
KLIM whole milk powder (New York)
Louis Sherry ice cream (New York)

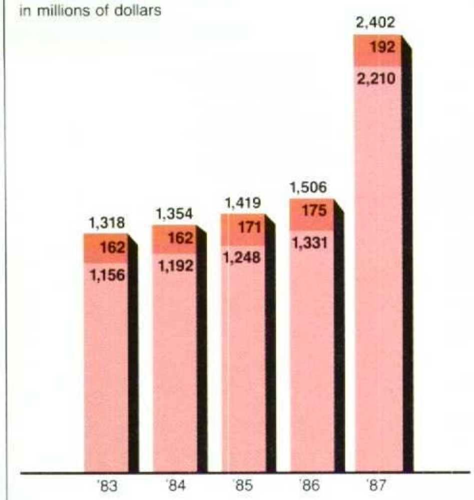
Puerto Rico:

Nevada and ***Carnaval*** ice cream

International:

Worldwide export – ***KLIM*** whole milk powder
Bahamas and Costa Rica – Milk, ice cream and other dairy products
Colombia – ***KLIM*** and ***El Rodeo*** whole milk powder
Japan – ***Lady Borden, Lady Borden Excellence*** and ***Borden Home Made*** ice cream; ***Borden*** margarine
Panama – ***KLIM*** whole milk powder; ***Borden*** ice cream, cheeses, juices and nectars

DAIRY SALES
in millions of dollars



We completed four small regional acquisitions during 1987 that will add to 1988 sales: Valley Bell Dairy Co., a leader throughout West Virginia; Sinton Dairy's business in Grand Junction, Colorado; and dairy businesses in Salt Lake City, Utah, and in the New Mexico/West Texas region. The latter two businesses not only add sales dollars, but have already increased cost efficiency through manufacturing consolidations with nearby Borden and Meadow Gold dairy plants.

The Borden and Meadow Gold dairy units each market a full range of ice cream and frozen novelties.

In January 1988 Borden acquired Mantecados Nevada, Inc., the second-largest ice cream producer in Puerto Rico. The company sells under the *Nevada* and *Carnaval* brands. Synergies with the Borden Dairy Division and the current snacks and grocery operations in Puerto Rico offer much potential for expanding sales and improving manufacturing and distribution efficiency.

Internationally, Borden has a newly defined dairy growth strategy. We are poised for expansion in Latin America as a result of organizational restructuring over the past year, and we are beginning to pursue opportunities in Europe and other parts of the world.

Borden's dairy businesses outside the United States are managed by the Snacks and International Consumer Products Division.

The ice cream business in Japan illustrates the leading market positions we are aiming for in our future growth outside the United States. Under a licensing arrangement, Meiji Milk Products Co. has captured over 70% of the nation's market for premium/superpremium ice cream by producing and selling the *Lady Borden*, *Lady Borden Excellence* and new *Borden Home Made* brands. The *Borden* name is highly respected in Japan for unsurpassed quality.

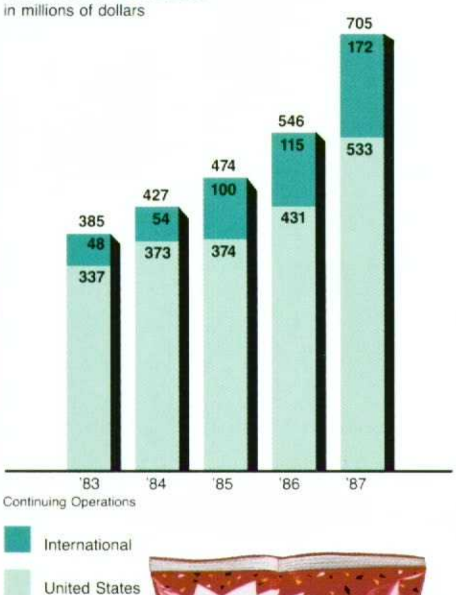
KLIM whole milk powder – the number two brand in the world – reaches consumers in nearly 90 countries. 1988 will be Borden's 60th year producing *KLIM* brand (the word milk spelled backwards). Mothers around the world use *KLIM* milk powder with the confidence that its quality is the best available. Borden has zealously guarded this well-deserved reputation.

The Meadow Gold acquisition added well-known brands of cottage cheese, yogurt and butter to the Borden family.

We manufacture *KLIM* milk powder in Denmark, Ireland, Australia and New Zealand for export markets, and in Colombia and Panama for local consumers. A licensee has just started to manufacture the product in Indonesia. We are working to sell *KLIM* milk powder in still more countries and to gain market share where we already have a base.

2
Snacks

SNACK SALES
in millions of dollars



Borden holds a solid number two position in the U.S. snack business. We have 10 regional snack companies, each selling its own brand of potato chips tailored for local tastes. Through this *national* network of *regional* companies – together covering 46 states – we also reach consumers with an expanding line of specialty snacks. Internationally, our major snack business is sweet baked snacks and specialty breads through our market-leading operations in West Germany and Belgium, and we have salty snack units in Canada (acquired in 1988), Spain, Ecuador and Malaysia.

Acquisitions were the highlight of 1987 – two strategically positioned snack companies in the United States and two producers of sweet baked snacks and specialty breads in West Germany.

To establish an overlay of nationally available snacks, Borden is using its regional companies' distribution systems – adding millions more customers with minimal distribution cost.

In the United States, we first purchased The Snacktime Company, an operation that sells about $100 million of snacks each year. Snacktime gave us new distribution in St. Louis and Memphis and expanded our presence in Detroit, Kansas City, Toledo and Indianapolis. It markets principally in 15 Midwestern states through its own store-door distribution system.

Then we acquired Laura Scudder's, Inc. to fill the big gap we had in California, where 11% of Americans live. Now we are number two in the state. Laura Scudder's has annual snack sales of about $125 million, including Arizona and Nevada as well as California.

Snacktime and Laura Scudder's together will lift our U.S. snack sales by about 40% on an annual basis. Adding growth of the existing businesses, we should reach about $750 million in 1988.

Snacks

Borden cheese puffs, corn snacks and pretzels (canister)
Ranch Fries snacks
La Famous tortilla chips
New York Deli potato chips
Seyfert's pretzels
Wise popcorn, dips and other snacks
Bravos tortilla chips
Cheez Doodles corn puffs
Cottage Fries potato chips
Home Fries potato chips
Pick Ups single-serve snacks
Ridgies rippled potato chips
Spirals crispy corn snacks

Regional:

Buckeye potato chips (Ohio)
Clover Club potato chips and other snacks
El Molino, La Famous and ***Little Pancho*** tortillas, chilis, dips, sauces and spices (Mountain/Western)
Geiser's potato chips and other snacks (Wisconsin)
Guy's potato chips, nuts and other snacks (Midwest)
Jays potato chips, popcorn, other snacks
O-ke-doke cheese-flavored popcorn (Illinois and Great Lakes)
Laura Scudder's potato chips, nuts and other snacks (California, Arizona and Nevada)
Seyfert's potato chips, nuts and other snacks (Indiana and Michigan)
Snacktime pretzels, popcorn, dips and other snacks
Cain's, Chesty, KAS and ***Kitty Clover*** potato chips
Krunchers! potato chips
Cornies cheese puffs
Indian Brand corn chips
Pepitos and ***Tor-ticos*** tortilla chips (Midwest)
Wise potato chips and other snacks (East Coast, Texas, Louisiana, Mississippi)
Dipsy Doodles rippled corn chips (East Coast)

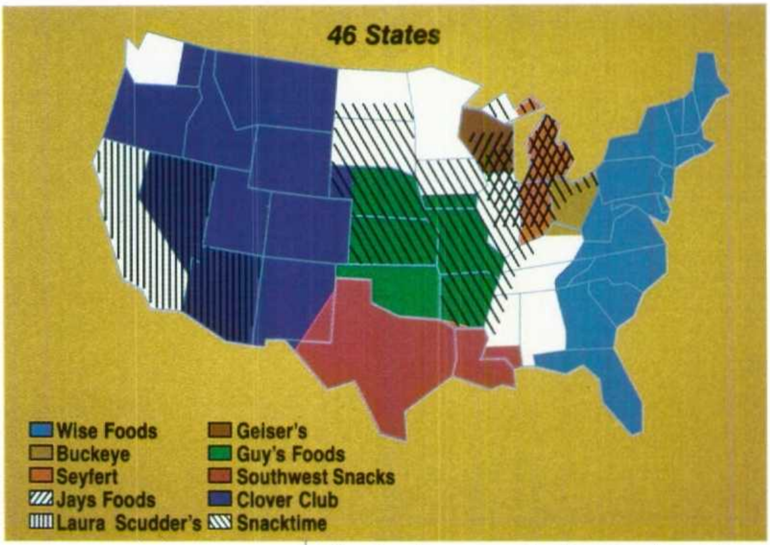
Puerto Rico:

Filler potato chips and other snacks

International:

Belgium – ***Suzy*** waffles
Canada – ***Humpty Dumpty*** potato chips and other snacks
Ecuador – ***Crecs*** and ***K-Chitos*** potato chips and other snacks
Malaysia – ***Wise*** potato chips, other snacks
Spain – ***Crecs*** potato chips, other snacks
West Germany – ***Weber, Jaus, Nur Hier*** and ***Stefansback*** sweet baked snacks and specialty breads

STORE-DOOR SNACKS DISTRIBUTION



The Borden network of regional snack companies together provides store-door distribution in 46 states.

Laura Scudder's anchors the western end of our unique, coast-to-coast network of regional snack companies. Our network is an efficient vehicle for establishing national snack brands.

The principal brands going national are *Cottage Fries*, which started the industry's thick chip category; *New York Deli* specialty potato chips; *Spirals* crispy corn snacks; *Wise* popcorn; and *Cheez Doodles* corn puffs. Distribution ranges from 29 to 43 states and is still expanding.

The ongoing roll-out of the *Spirals* and *Cheez Doodles* brands is a particular plus because it boosts our share of the high-profit corn snack category.

Our collection of broadly marketed snacks also illustrates Borden's success in developing new products.

Snacktime brought us another hot product for broad distribution: *Krunchers!* potato chips, a premium, kettle-cooked chip that rolled out in the Snacktime system early in 1987 and is now moving into selected areas elsewhere.

The Borden network concept maintains the advantages of regional marketing for our locally strong companies and yet provides the efficiencies of

Each of Borden's regional snack companies has its own locally popular brand of potato chips, tailored for local taste preferences.

one large operation. Borden snack companies buy potatoes, packaging and advertising jointly to win volume discounts. They share production and marketing ideas and expertise. And they reduce per-unit production costs through manufacturing cooperation and consolidation.

In February 1988 Borden expanded into Canada by purchasing Humpty Dumpty Foods Ltd. With about $90 million in 1987 sales, the company is one of the market leaders in eastern Canada.

Borden's focus outside North America is sweet baked snacks and specialty breads in West Germany. It is a $6-billion-per-year national category, more than a dozen times larger than sales of salty snacks.

Outside the continental United States, Borden markets salty snacks in Puerto Rico, Spain, Ecuador and Malaysia (shown) as well as Canada.

Borden has built a major European business in sweet baked snacks and specialty breads through acquisition and internal development.

Wilhelm Weber GmbH, part of Borden since 1964, distributes packaged sweet baked snacks to supermarkets from two large commercial bakeries in the central part of the country. In 1987 Weber acquired the Karl Jaus & Sohne GmbH commercial bakery, which serves the grocery trade from six plants in southwestern Germany. Weber is renowned for its cakes and pastries, and Jaus for specialty breads. We are acting quickly on this opportunity to add sales via cross-branding.

Borden also operates two chains of retail bakery shops – Nur Hier in Hamburg, acquired in 1985, and Stefansback in Freiberg/Stuttgart, acquired in 1987 with the Kuntzle Group. Both chains lead their regional markets, and we hope to add similarly strong regional chains in other parts of Germany.

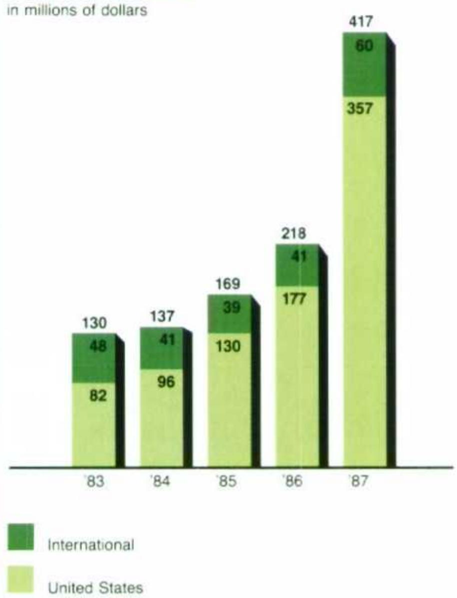
Annual sales of all four units will approach $200 million in 1988, ranking Borden as the largest producer of sweet baked snacks and specialty breads in Germany.

Borden also owns the world's largest producer of waffles – Suzy International N.V. in Belgium. *Suzy* brand waffles are exported to France and Germany already, and additional export markets are planned, including the United States.

3
Pasta

Borden's branded pasta business is the largest in the United States and the world. *Creamette* is our domestic flagship brand and the only one in the industry that is sold nationwide. We distribute *Creamette* pasta to store shelves side-by-side with 17 principal regional brands that together cover the nation. Borden is also the leading pasta producer in Brazil, with the *Adria*, *Paty* and *Raineri* brands, and we have just established a base for growth in Europe by adding Italy's *Albadoro* brand.

PASTA SALES
in millions of dollars



Pasta is a great product. It is stylish yet inexpensive…versatile yet easy and convenient to cook…and nutritious yet low in calories. It is also another business where Borden sales have grown rapidly, and we expect to continue upward to about $600 million in 1988.

Pasta

Creamette

Regional:

Anthony's (Southern California and Arizona)
Bravo (New York)
Dutch Maid (Northeast and Midwest)
Gioia (Upstate New York and Pennsylvania)
Globe A-1 (California and Arizona)
Goodman's (Northeast and Miami)
Luxury (Gulf Coast)
Merlino's (Pacific Northwest)
Mrs. Grass (Chicago)
New Mill (Midwest)
Pennsylvania Dutch (East Coast)
Prince (Northeast and Midwest)
R&F (Midwest)
Red Cross (Midwest)
Ronco (Southeast)
Silver Award (Northeast and Midwest)
Vimco (Pennsylvania, Ohio, West Virginia and New York)

International:

Brazil – ***Adria, Adria Italianissimo, Paty*** and ***Raineri***
Canada – ***Creamette***
Italy – ***Albadoro***

Our dollar sales have grown from just 6% of the U.S. industry's branded pasta sales in 1980 to about 31% at year-end 1987 – almost twice the size of our nearest competitor.

We scored an outstanding success in 1987 by acquiring The Prince Company. Prince is by far the leader in New England, a high-pasta-consumption area

Creamette pasta, Borden's nationally available flagship brand, was a regional pasta in the Midwest when acquired in 1979.

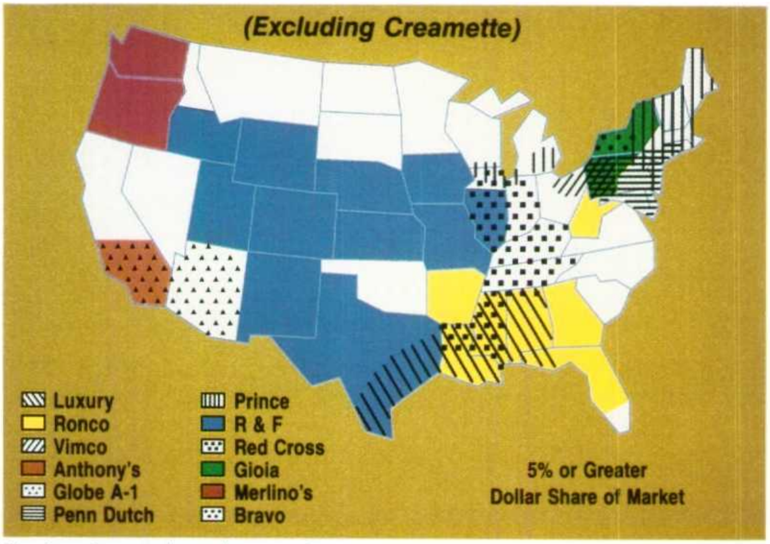
where Borden previously had little presence. In addition to *Prince* pasta, the company sells under the *Goodman's*, *Dutch Maid* and *Silver Award* brands.

Borden has succeeded in building a national network of regional pasta companies – just as we have done in snacks – and we have taken advantage of their in-place distribution systems to establish a national brand, *Creamette*. Many companies have tried over the years to establish a national pasta brand. Our regional network approach is the only one to succeed. It enabled *Creamette* brand to reach millions more customers with minimal distribution cost. With the addition of Prince, we have just introduced *Creamette* pasta in New England, with good consumer acceptance.

Creamette brand's new national status allows us to step up spending on national advertising. We have print, television and radio campaigns planned for 1988, and virtually all of the consumers we reach will now be able to buy *Creamette* brand in their local supermarkets.

From four regional pasta brands at year-end 1985, Borden has grown to 17 principal regional brands today.

REGIONAL PASTA BRANDS



Regional pasta brands produced by Borden are popular in marketing areas that span the United States. Alongside these local favorites, our nationally available *Creamette* brand also has a significant share of sales nearly everywhere.

Some 40% of the U.S. industry growth in branded pasta sales over the past three years has come from our *Creamette* brand. Each of our regional brands has also advanced in sales units since joining the Borden family. The domestic market has tremendous room for growth – compared with per-capita pasta consumption of just over 50 pounds in Italy, Americans consume only about 12 pounds each year.

With increased size, Borden has achieved significant gains in production and administration efficiency. Our Creamette and Prince facilities are the industry's most modern, lowest-cost, state-of-the-art operations. At 800 million pounds per year and growing, Borden is by far the largest buyer of quality durum wheat, with all the purchasing leverage that provides.

Outside the United States, the largest Borden pasta operation is our Adria unit in Brazil. *Adria* pasta is Brazil's top-selling brand with particular strength in Sao Paulo. In April 1987 we acquired the smaller *Paty* brand, which is marketed principally in the Rio de Janeiro area, and in February 1988 we purchased the *Raineri* brand, produced and marketed in western Brazil. We are evaluating the purchase of other complementary brands.

In August 1987 we entered the pasta business in Italy by purchasing Albadoro, S.p.A. The company markets mostly in northwestern Italy and exports to France as well. Volume will be augmented in 1988 with new distribution through Borden's Gallina Blanca, S.A. affiliate in Spain, which has also chosen to use *Albadoro* pasta in its own dry soup mixes and dinner entrees.

We see Albadoro as the start of a major pasta business in Europe, and we are studying opportunities in other areas including Japan. Our pasta expansion overseas will likely move more slowly and deliberately than the domestic step-up of recent years, but we intend the end result to be just as significant.

One of Borden's major pasta objectives is to expand its family of international brands.

4
Niche Grocery

Borden's niche grocery business includes 28 brands that give us number one or number two market positions, nationally or regionally, in 23 grocery product categories. Except for sliced process cheese, none of our niche businesses exceeds $100 million in annual sales. But collectively they make up a stable, billion-dollar-plus business with high profit margins. Outside the continental United States, we sell grocery products through units in Spain, Japan, Canada, Belgium, Denmark, Puerto Rico and Africa.

The Borden family of niche grocery brands represents a unique marketing strategy in the U.S. packaged food industry. Rather than focus on only the largest grocery categories – the ones that attract most of the industry's attention – our grocery business has evolved toward competing mainly in small categories, or in small regional segments of larger national categories.

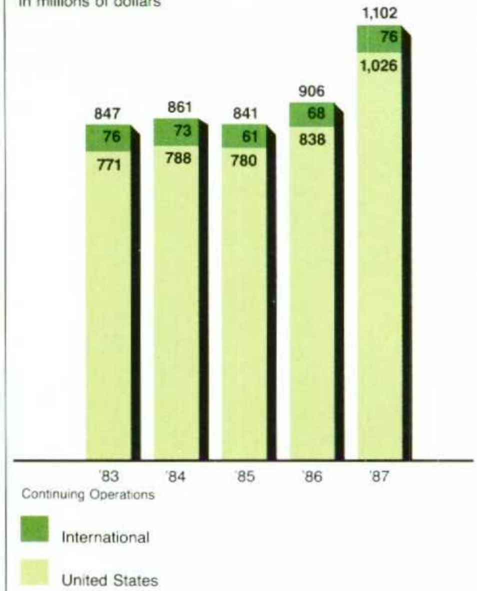
We have had outstanding results with our strategy, and we see considerable opportunity for growth.

There are several reasons for our success and optimism:

• First, our products have commanding holds in their categories. Consumers are deeply committed to them. The supermarket trade thus gives our brands the precious shelf space that goes hand-in-hand with consumer buying preference.

• Second, the number and range of our niche grocery products provides balance, and thus stability in total sales and profits – like a ship with many watertight compartments.

NICHE GROCERY SALES
in millions of dollars



• Third, Borden executives have the know-how to run small businesses and are comfortable doing it. Product managers get the support, direction and attention they need, without losing their operating autonomy.

Our growth in niche grocery products comes largely from acquisitions. Our criteria are demanding – for example, a top brand name, high market share, strong management and low

Niche grocery products are sold principally through a nationwide network of independent regional food brokers.

Niche Grocery

Bennett's sauces
Borden egg nog
Borden process cheese products
CheezTwin process cheese substitute
Lite-line cheese products
Campfire marshmallows
Cary's maple syrup
Classico Italian sauces
Coco Lopez cream of coconut and fruit drink mixes
Cracker Jack caramel-coated popcorn and peanuts
Cremora non-dairy creamer
Doxsee chowder and clam products
Eagle Brand sweetened condensed milk
Fisher cheese substitute products
Sandwich-Mate slices
Ched-O-Mate, Pizza-Mate, Salad-Mate and ***Taco-Mate*** shredded products
Frostee shakes
Harris canned crabmeat and specialty soup products
Haviland chocolate candy
Kava acid reduced instant coffee
None Such mincemeat
Orleans canned seafood products
ReaLemon lemon juice from concentrate
ReaLime lime juice from concentrate
Snow's chowders and clam products
Soup Starter and ***Stew Starter*** dry mixes
Steero bouillon and broth products
Wyler's bouillon
Lite-line low-sodium bouillon

Regional:

Aunt Millie's spaghetti sauce (Northeast)
Gioia spaghetti sauce (Upstate New York)
Prince spaghetti sauce (Northeast and Midwest)
Bama jams, jellies and preserves, aseptic fruit drinks, syrup, peanut butter and mayonnaise (South and Southwest)
Country Store instant mashed potatoes (Midwest and Southwest)
Cutcher canned seafood products (Wisconsin and Utah)
DeJean's canned seafood products (Upstate New York and Miami)
Dime Brand sweetened condensed filled dairy blend (Southwest)
Ever Fresh fruit freshener (Mountain and Western)
Laura Scudder's natural peanut butter (Mountain, Western and Texas)
MCP pectin (Mountain and Western)
Magnolia Brand sweetened condensed filled dairy blend (Miami) and melloream (New York)
Mrs. Grass soup and dip mixes (North Central)

Puerto Rico:

Borden cheeses
Coco Lopez cream of coconut and fruit drink mixes
La Famosa juices and nectars

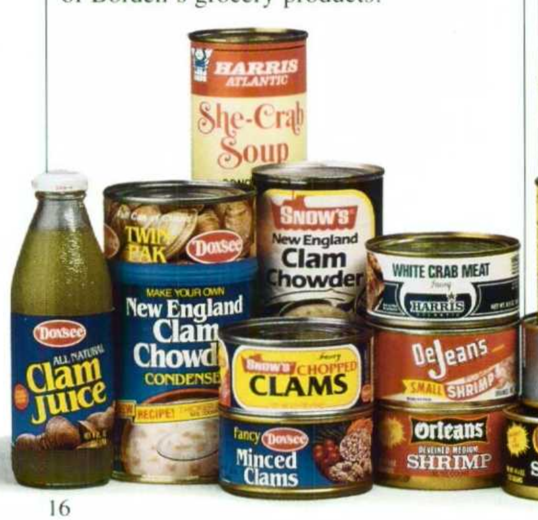
International:

Belgium – ***ReaLemon*** lemon juice from concentrate
Canada – ***Eagle Brand*** sweetened condensed milk, ***Cracker Jack*** caramel-coated popcorn and peanuts, ***ReaLemon*** lemon juice from concentrate, ***Snow's*** chowders and sauces, ***DeJean's*** canned seafood products
Denmark – ***Cocio*** bottled chocolate milk and ***Hemo*** chocolate drink mix
Japan – ***Borden*** cheeses
Spain – ***Gallina Blanca*** dry soup mixes and ***Avecrem*** bouillon (exported to Middle East and Africa as ***Jumbo*** dry soup mixes and bouillon)

vulnerability to price competition. Yet, we continue to acquire many excellent small products simply because they fit our philosophy but not the sellers'.

Canned seafood specialties were emphasized during 1987. We began the year with *Snow's* and *Doxsee* clam products. Recognizing that there was no full-line supplier of canned seafood specialties, we acted quickly to fill the void. We purchased the *Orleans*, *Cutcher*, *Harris* and *DeJean's* lines of shrimp, crabmeat and oysters. Now we are number one or number two in six categories of canned seafood specialties, with a combined annual sales rate exceeding $80 million. As a full-line, quality supplier, we have a big competitive advantage in dealing with the grocery trade.

Other acquisitions in 1987 were the *Soup Starter* and *Stew*



Leading brands of canned seafood specialties, pasta sauce, natural peanut butter and pectin are among the newest of Borden's grocery products.

Most grocery products sold outside the continental United States are among the leaders in their markets.

Starter dry mixes business and *Steero* bouillon. Our *Wyler's* bouillon has long been the nation's top seller, even with little presence on the West Coast. *Steero* bouillon is number one on the West Coast.

With the purchase of Prince, we also acquired its *Aunt Millie's*, *Prince* and *Classico* pasta sauces. *Classico* is a premium sauce that has done so well under Prince in its initial regional markets that we have accelerated its national roll-out, now scheduled for completion in the first quarter of 1988.

We added another profitable niche product when we acquired *Laura Scudder's* all-natural peanut butter along with its snack business. It is the leading natural peanut butter in California, and another brand with broad geographic promise.

Borden's industrial flavors and ingredients represent a special type of niche grocery product, sold to outside food processors rather than directly to consumers. Our flavors are a small part of the final product's cost, but a large part of its performance. That translates into excellent profits for Borden and aggregates a business exceeding $100 million in annual sales. We made two acquisitions in 1987: MCP Foods, Inc., a California producer of citrus flavors (and retail pectins) and the Sunkist citrus flavors business.

Outside the United States, our principal grocery units are Gallina Blanca, S.A. in Spain and Meiji-Borden, Inc. in Japan. (Since both are unconsolidated affiliates, their sizable annual sales are not included in Borden's reported figure.)

Gallina Blanca is Spain's leading producer of bouillon and dry soup mixes. Borden shares ownership with the family that founded the company 50 years ago. A major capacity expansion is under construction to allow continued growth of the business in Spain and through exports, particularly to West Africa where the *Jumbo* brand bouillon cube is a major force in the marketplace.

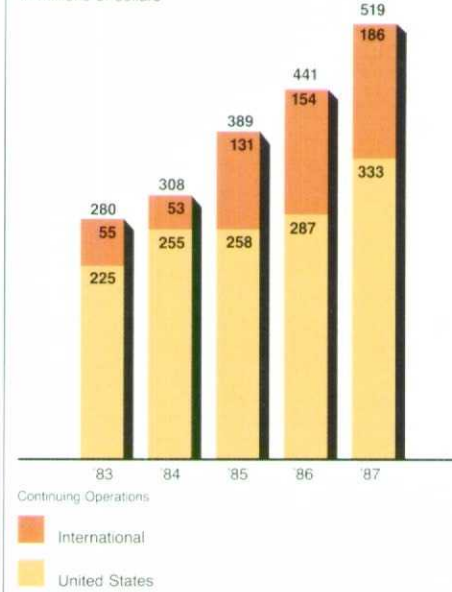
Meiji-Borden is Japan's number two producer of individually wrapped cheese slices. The company produces a range of other cheese products as well, including a new line of stick cheeses that has quickly become its second-largest-selling item.

5
Non-Food Consumer

Borden has strong positions in four non-food consumer products categories: wallcoverings, where our U.S., Canadian and European units add up to a number two worldwide position; the *Elmer's* line of adhesives and caulks; *Krylon* spray paints; and car-care products led by our *Rain Dance* brand. In addition to large U.S. operations, we have international adhesives, spray paints or car care businesses in South America, Canada and Japan.

Our focus in non-food consumer products is expendible items for professional or do-it-yourself home improvement. This market segment has good fundamental prospects for growth. It also provides a measure of stability when the economy is softening, since do-it-yourself home improvement activity tends to hold steady or even increase.

NON-FOOD CONSUMER SALES
in millions of dollars



Our major strategic steps have come in wallcoverings:

• First, by purchasing the *James Seeman Studios* wallcovering line in 1987 and Bob Mitchell Design Co. in early 1988, we took two initial steps to build a position in high-fashion, designer wallcoverings.

• Second, we acquired Cassidy-Hicks Wallcovering Co., a leading distributor in Denver, Colorado. We now have 12 distribution centers across the United States, compared with just one three years ago. This network supplements the broad national distribution we enjoy through independents.

Wallcoverings has recently been the fastest-growing of Borden's U.S. non-food consumer products.

Non-Food Consumer

Wallcoverings – ***Birge, Borden Home Wallcoverings, Crown, Fashion House, Foremost, Guard, James Seeman Studios, Mitchell Designs, Northwood Prints, Satinesque, ShandKydd, Sunwall 54, Sunwall 27, Sun-Tex, Sunworthy*** and ***Wall-Tex***
Elmer's glues, cements, building adhesives, caulking compounds, sealants and wood fillers
Krylon spray paints and varnishes; silicones and other lubricants; automotive maintenance and protection products
No. 7 car restorers, cleaners and washes; cooling system, engine and other car maintenance and performance products
Rain Dance car waxes, cleaners, washes, restorers and protectants
Rally car waxes and cleaners
Sterling plastic office and school supplies

International:

Brazil – Alba ***Cas Cola, Cas Colar*** and ***Cascorez*** glues and adhesives; ***Krylon*** car-care products; epoxies, specialty tapes and hobby paints
Canada – ***Sunworthy*** wallcoverings; ***Elmer's*** glues and other products; ***Krylon*** spray paints and other products; ***Rain Dance*** and ***Rally*** car-care products
Colombia – ***EGA*** glues and adhesives; ***Rally*** car-care products; paints and coatings; shoe polish
Ecuador – ***Elmer's*** glues and adhesives; ***Rally*** and ***Turbo*** car-care products; household waxes; shoe polish
France – ***Heller*** plastic model kits
Japan – ***Rain Dance, Rally*** and ***No. 7*** car-care products
United Kingdom – ***Crown*** wallcoverings; ***Humbrol*** and ***Airfix*** plastic model kits

• Third, we began to promote the *Wall-Tex* brand for sale from retailer inventory, to complement its traditional strength in sales through customer orders from sample books.

• Fourth, our Crown wallcovering unit in England acquired West Germany's Borges GmbH (completed early in 1988). Borges should contribute 10% of our estimated 1988 wallcovering sales of about $300 million worldwide. It offers many product line, manufacturing and marketing synergies with the Crown operation.

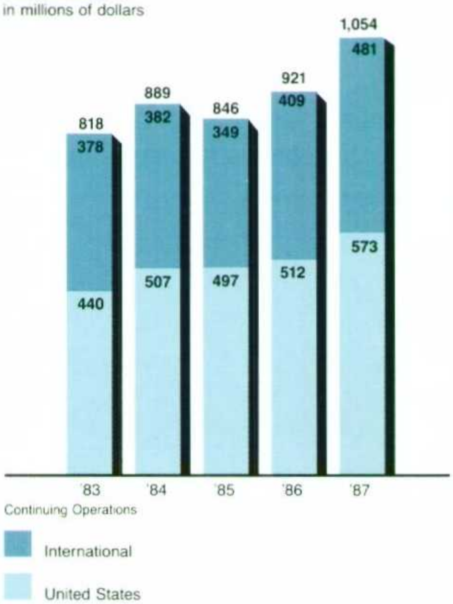
In our other U.S. businesses, we plan to spark sales principally through new products and by expanding distribution, especially to more hardware stores and home centers. Our *Elmer's* family, for example, recently added a new "Fill 'N Finish" wood filler that accepts stain exceptionally well. *Krylon Rust Magic* spray paints continue to capture share in the rust preventative market, and a new *Krylon* auto touch-up paint has just been launched in an easy-to-use marker pen container.

As one part of our new strategy for car-care products, we are broadening our line to include a full range of *Rain Dance* "Intensive Care Products." The line extension is off to an excellent start – in 1987 we added *Rain Dance* glass cleaner and wash & wax, among others, and in 1988 we plan to unveil a family of products formulated for the new "clear coat" automotive finishes.

Affiliates and subsidiaries around the world manufacture and market non-food consumer products generally similar to the domestic lines.

6 *Chemical Specialties*

CHEMICAL SPECIALTIES SALES
in millions of dollars



New investments are further strengthening Borden's positions in profitable segments of the U.S. chemical specialties business.

Borden's chemical specialties business includes many products that are just one step removed from the consumer marketplace. As in all growth areas, we are among the market leaders in our chemical specialties. Borden is the world's largest manufacturer of forest products resins; our plastic films include the top-selling U.S. polyvinyl chloride film; we are number two in U.S. foundry resins; and our principal industrial adhesives rank at or near the top of their markets. The international side of chemical specialties is sizable and spans the globe.

Our billion-dollar chemical specialties business sets Borden apart from other packaged foods and consumer products companies. This area has performed consistently well over the years and promises to be just as profitable in the future.

Chemical specialties is an attractive business for Borden for two key reasons.

• First, we participate in product lines that earn high margins or high returns on shareholders' equity – levels matching or exceeding our consumer products.

• Second, because of their inherent nature and unique Borden positioning, our chemical specialties resist or are immune to the cyclical market swings that affect commodity chemicals.

In phenol- and urea-based forest product resins, for example, Borden operates 13 plants across the United States and 21 more in 10 other countries. Their strategic

Chemical Specialties

ALpHASET, Betaset and other foundry resins; refractory coatings
Casco, Cascophen, Cascoset and other specialty adhesives
Forest products resins
Loadmaster and ***Resinite*** pallet-wrap films
Proponite packaging film
Resinite and ***Sealwrap*** food-wrap films

International:

Film products – Belgium, France, Netherlands, Spain and United Kingdom; Canada; Argentina and Brazil; Australia and Japan
Forest products resins – Spain and United Kingdom; Canada; Argentina, Brazil, Colombia and Ecuador; Australia, Malaysia and Philippines
Foundry resins – France, Spain and United Kingdom; Argentina and Brazil; Australia and Japan
Rigid plastic packaging – France, Netherlands and United Kingdom
Specialty adhesives – France and United Kingdom

locations give us exceptional advantages in serving customers economically and effectively – sometimes even through direct pipeline into the customer's plant.

We offer the most extensive product range available. Using resin adhesives developed, tested and constantly improved by Borden research and development laboratories, our customers can bind together all types of wood into high-quality particleboard, fiberboard, plywood and other structural panels. As the world's largest producer of forest products resins, we have leverage in purchasing that helps to keep our own raw material costs in line.

We added to our manufacturing and customer base in 1987 by acquiring Perkins Industries, Inc. Its operations are centered in the Southeast, expanding Borden's presence in one of the fastest-growing U.S. markets.

Our plastic film business consists of three basic products. Each has a distinct chemical composition and thus distinct performance characteristics, so each lends itself to different uses.

Resinite polyvinyl chloride (PVC) film is the most widely used meat and produce wrap in U.S. supermarkets. It is also sold to food-processing plants, the foodservice industry (under the *Sealwrap* brand) and for pallet-wrap applications. In Japan Hitachi-Borden Chemical Products, Inc. sells PVC film for household use as well, and our units in Brazil, Argentina and Spain likewise serve the retail market.

We use *Proponite* oriented polypropylene film for our own snack and pasta bags, and market to outside food companies

International chemical specialties represents the largest of Borden's non-U.S. businesses.

for packaging confectionery, bakery, snacks and other items. Our *Loadmaster* linear low-density polyethylene film, the fastest-growing of the three film types, continues to gain sales in its pallet-wrap end use.

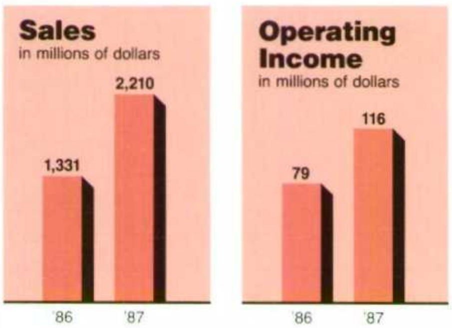
In January 1988 we nearly doubled our packaging film business in Brazil by purchasing Vicaplast. The following month we acquired S.F.P.O., a French producer of PVC sheet for containers, trays and other rigid food packaging. Some of its sheet will now be supplied to Borden's own rigid food packaging units in the United Kingdom and the Netherlands.

An upswing in foundry resins is also at hand. In 1986 we acquired Acme Resin Corporation and used its marketing force to help in the U.S. launch of *ALpHASET* and *Betaset* foundry resin technology, developed by Borden in England. In 1987 we acquired the Kordell Industries U.S. foundry resin business; we licensed manufacturing rights to and formed a marketing joint venture with GunEi Chemical Industry Co. Ltd. in Japan; and we broadened our reach in most of the world's other major markets. The purchase of Arcoa, Inc. in 1987 gave us a leading U.S. position in refractory coatings, a related product for foundries.

Industrial adhesives is not one but a wide array of products, each tailored for its own application niche. We sell adhesives for bottle labels, bookbinding, packaging, case and carton sealing, and myriad other uses. In addition to its forest product resins, Perkins brought to Borden sophisticated adhesives technology and a line of products for the furniture, millwork and packaging industries.

Review of 1987

Dairy Division



The Dairy Division posted 1987 gains of 66.0% in sales and 47.0% in operating income, primarily due to the inclusion of results for Meadow Gold Dairies, Inc. (purchased in December 1986).

Profit margin was down, however, from the strong performance of 1986. Though the Meadow Gold unit began to benefit from programs to improve administrative, manufacturing and marketing efficiency, its margin remained below the Borden Dairy unit's historically higher level. Dairy margins were also squeezed by low retail milk prices in the economically troubled Southwest, where competitive pressures prevented the full pass-through of higher raw milk costs.

Four acquisitions were completed during the year: Valley Bell Dairy Co. of West Virginia in September; the Sinton Dairy business in Grand Junction, Colorado, in December; and captive dairy businesses in November from the Borman's and Furr's supermarket chains in Salt Lake City, Utah, and New Mexico/West Texas, respectively.

The division's fluid milk volume was slightly ahead of 1986 (on a comparable basis) and exceeded the industry's gain. Meadow Gold's *Viva* and Borden's *Hi-Protein* lowfat milks did particularly well. Calcium-fortified milks launched during the year also contributed.

The introduction of value-added, premium types of chocolate milk, buttermilk and egg nog during 1987 promises further volume gains. The division also plans to focus strongly on fortified skim milks to take advantage of consumer trends toward lowfat and skim products.

In ice cream and frozen novelties, 1987 volume held steady versus the prior year for Borden and the industry. There was a shift within the category toward premium products. The Dairy Division's solid performance in premiums was sparked by the full-scale roll-out of *Eagle Brand* homestyle vanilla ice cream and the successful expansion into new markets of *Olde Fashioned Recipe* all-natural ice cream.

Novelties sales benefited from new entries such as *Turtles* treats, toffee bars and *Cracker Jack* bars. The division enjoys market advantages from its major involvement in all novelties segments – sandwiches, cones, bars, cups, frozen ices, etc.

Yogurt continued to show rapid sales growth. Meadow Gold's *Mountain High* all-natural and *Viva* French style yogurts, together with Borden's *Lite-line* yogurt, provide a range of products to appeal to the various tastes of yogurt consumers.

Meadow Gold's *Viva* lowfat milk and *Mountain High* yogurt are among the top brands in two of the fast-growing dairy products categories.

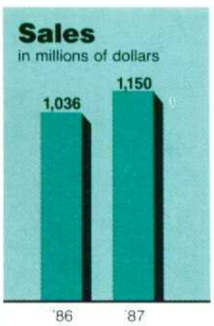
Cracker Jack ice cream bars capture all the flavor and tradition of *Cracker Jack* caramel-coated popcorn and peanuts, an American treat since 1893.

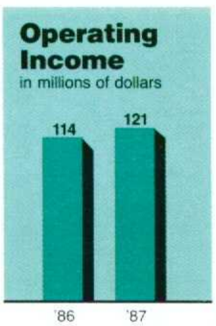
Hotel Bar and *Keller's* butters, sold by the Meadow Gold unit exclusively in the high-butter-consumption Middle Atlantic region, were up slightly in retail dollar sales but slipped in the foodservice market.

A new fluid milk plant for Meadow Gold was finished during the year at Hilo, Hawaii, and a Borden plant at Austin, Texas, is nearing completion. Another new Borden milk plant is planned for Houston, Texas, to replace an existing facility. Several milk cooler and ice cream expansions were also completed. New equipment is under construction at Meadow Gold's Champaign, Illinois, ultrahigh temperature plant to provide whipping cream, half-and-half and similar products to both Borden and Meadow Gold plants throughout the eastern United States.

Elsie the Cow began her second half-century in 1987 as the beloved and widely recognized Borden dairy symbol. She visited children's hospitals, appeared at civic events, trade shows and market promotions, and starred in divisionwide radio advertising. *Elsie* continues to capture headlines and win friends for Borden wherever she goes.

Snacks and International Consumer Products Division





The division's 1987 sales rose 11.1% over 1986, and operating income was 5.8% higher, including acquisitions and divestitures. Domestic 1987 sales of $648.6 million were 3.7% ahead of the prior year, and operating income advanced 13.7% to $58.2 million. International sales were up 22.4% to $501.9 million; operating income slipped 0.7% to $62.5 million primarily because of the effect of the weak dollar on the milk powder exports business.

Domestic Operations

Snacks

Snack sales climbed 24% (excluding the Drake Bakeries and Old London units divested in 1986). While most of the gain reflected acquisition of The Snacktime Company and Laura Scudder's, Inc. in 1987 and a full-year contribution from Jays Foods, Inc., there were solid gains by Wise Foods and (on a comparable basis) by Jays Foods.

New product successes also contributed to higher sales. *Spirals* crispy corn snacks were expanded into new market territories, and a rapid geographic roll-out began for flavored line extensions of *New York Deli* potato chips and *Wise* popcorn.

Consumers in California, Arizona and Nevada enjoy tortilla chips and potato chips made by Laura Scudder's, Inc.

Cheez Doodles corn puffs also achieved broader distribution.

The Snacktime acquisition in August strengthened the Midwest portion of Borden's national network of regional snack companies. In addition to four local brands of potato chips, Snacktime distributes the new, already very successful *Krunchers!* premium kettle-cooked chips. Laura Scudder's, purchased in September, has a number two position in the California market and is Borden's initial entry into the state.

Operating income surged 41% (excluding divestitures) due to acquisitions, internal sales growth, favorable cooking oil prices, cost efficiencies from capital projects and production consolidations.

Capital projects to maintain Borden's position as a low-cost, high-quality producer included two new production lines for Wise Foods and major modernizations by the Jays and Guy's units. To further improve efficiency, outdated plants were closed late in 1987 (a Laura Scudder's plant at Anaheim, Califor-

nia, and a Snacktime facility at Omaha, Nebraska), and their production was shifted to nearby plants in Borden's 16-facility network.

Coco Lopez Sales

Sales held about steady in 1987. While maintaining its dominant position in supermarkets and foodservice, *Coco Lopez* cream of coconut showed substantial potential in test markets as a cooking ingredient, especially for baked goods.

Puerto Rico

Operating income was up marginally in 1987 on a sales gain of 5%. Caribbean Snacks benefited from new marketing initiatives and the lower costs/higher quality resulting from a shift to importing potato chips from Borden plants in the United States (instead of self-production). Industrias La Famosa advanced on the strength of its can making business. Borden Puerto Rico, a third unit, is discontinuing its distribution of non-Borden frozen foods to focus on marketing Borden cheeses and other grocery products.

International Consumer Products

Milk Powder

Record export volumes for *KLIM* whole milk powder held dollar sales and operating income very near the all-time highs of 1986, despite the weak U.S. dollar. The product was launched in new markets including Haiti, Martinique and several African nations and was reintroduced in Cameroon, Indonesia and Nigeria.

In Colombia, where *KLIM* milk powder is produced for local sale, Borden's gains in volume, dollar sales and operating income in a strong overall market were enhanced by advertising and promotion and a shift to company-owned distribution. Higher dollar sales and income also were achieved in Panama, where Borden produces *KLIM* milk powder for local sale as well as other food products.

The *Stefansback* chain of retail bakeries is number one in its marketing area in Freiberg/Stuttgart, West Germany.

Europe

In its 50th year of operation, Gallina Blanca, S.A., an unconsolidated affiliate in Spain, improved sharply in 1987 in both sales and operating income. Domestic volumes were strong, and new export markets were opened in Japan, Portugal, the Middle East and Haiti. The Crecspan salty snack unit in Spain also had higher dollar sales, but profits were hurt by escalating costs.

In August Borden acquired its first European pasta company, Albadoro, S.p.A., which manufactures and markets principally in northwestern Italy and also exports to other European nations.

The sweet baked snacks and specialty breads business in Germany did especially well. Operating income improved sharply for the Wilhelm Weber GmbH commercial bakery (because of lower costs and a 9% rise in sales) and advanced as well for the Nur Hier chain of retail bakeries (up 24% in sales). The Kuntzle Group, which operates 59 retail bakeries under the *Stefansback* name, was purchased in February. Commercial baker Karl Jaus & Sohne GmbH was acquired during October.

New products and export initiatives helped the *Suzy* waffle business in Belgium to higher volume, dollar sales and income.


The *Borden* brand is a strong number two in the Japanese market for individually wrapped cheese slices, the nation's largest cheese category.

Far East

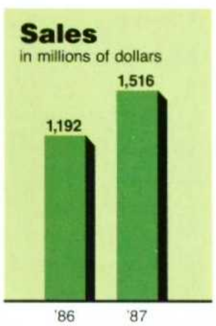
The division operates both consumer products and chemical specialties businesses in the Far East.

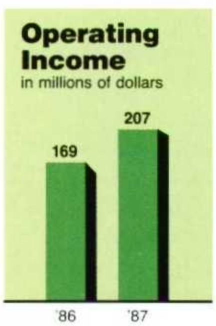
Sales volume rose in Japan for *Lady Borden* ice cream, made and marketed by Meiji Milk Products Co. under license. *Borden Home Made* ice cream had outstanding consumer acceptance in its first full year on the market and solidified the *Borden* brand's more than 70% share of the premium/superpremium segment.

The Hitachi-Borden Chemical Products, Inc. joint venture operated near capacity for its plastic films and registered higher sales volume for car-care products as well. Another joint venture, Meiji-Borden, Inc., similarly exceeded its prior-year volume for individually wrapped cheese slices and other cheese products. Both businesses set records for dollar sales and income.

Strong demand for forest products resins and other chemicals in Australia and Malaysia led to greater volume and dollar sales. Cost controls also contributed to substantially higher operating income in both countries. Despite new competition in the Philippines, Borden chemical volume held steady, and profits improved through cost controls and selective marketing of higher-value-added products.

Grocery and Specialty Products Division





Paced by a sharp advance in pasta, division sales and operating income rose in 1987 by 27.1% and 22.9%, respectively. Nine acquisitions were completed, and three businesses were divested (the Vogel's foodservice operation in June and the Prince pump and packaging units).

Pasta

In June 1987 Borden made its largest pasta acquisition, The Prince Company of Lowell, Massachusetts. Prince provides major strength in Northeast markets through its well-known *Prince*, *Goodman's*, *Dutch Maid* and *Silver Award* brands. Its manufacturing facilities rival Creamette Company's plants for industry leadership in low-cost production.

Including Prince and other acquisitions, sales climbed 102% over the prior year, and operating income was up 96%. *Creamette* pasta – Borden's flagship brand, the second-largest-selling pasta in the United States and the only one nationally available – gained 12% in 1987 volume. Borden's family of 17 regional brands also posted volume and sales gains.

Major capacity expansions are scheduled for 1988 completion at Creamette's Phoenix, Arizona, and New Hope, Minnesota, plants, and an addition is planned at the Prince Lowell facility.

Niche Grocery

The division's grocery and specialty products businesses collectively were up 10% in sales in 1987 and 17% in profits.

Cheese products had an exceptionally strong year. Single-wrap slices grew at six times the industry rate to a record share of market, while both the *Lite-line* and *Sandwich-Mate* brands continued to dominate their categories.

The *Snow's* and *Doxsee* lines of clam products each achieved record sales. To position Borden as a single-source supplier to the trade, other canned seafood specialties brands were acquired during 1987: *Orleans* (along with *Cutcher*) in April, and *DeJean's* and *Harris* in June.

Classico Italian pasta sauces are prepared according to authentic regional recipes from Naples, Abruzzi and Sicily.

Strong merchandising activity led to dramatic sales and income gains for *Wyler's* bouillon. The *Steero* brand, whose West Coast stronghold complements *Wyler's* small position there, was acquired in May. The *Soup Starter* and *Stew Starter* dry mixes line was purchased in February 1987, joining the *Mrs. Grass* soup mixes line added the prior year.

Cracker Jack candied popcorn continued to hold a leading share of market. Production costs were reduced through the efficiency of Borden's multiproduct plant at Northbrook, Illinois.

Eagle Brand sweetened condensed milk recorded higher sales and contributed importantly to income. As Borden's first product, it has been marketed for 130 years. *Cremora* non-dairy creamer made significant gains in sales, volume and share.

Borden entered the important pasta sauce category with the purchase of Prince. Its *Classico* premium sauce will be rolled out nationally in 1988's first quarter. The *Prince* and *Aunt Millie's* brands are regionally strong in the Northeast.

The Laura Scudder's snack acquisition also brought to Borden the top-selling brand of all-natural peanut butter in California. *Bama* jams and jellies continued in 1987 to lead in the Southwest and Southeast regions. *ReaLemon* reconstituted juice increased its nationally leading market share.

In the non-retail specialty products operations, Galloway-West improved its profits in serving dairies and other food processors with specialty food ingredients.

Buoyed in part by new products, industrial flavors turned in excellent results. Two citrus flavors acquisitions were made in November – MCP Foods, Inc. and the Sunkist Flavors business.

Non-Food Consumer

Sales volume rose in 1987 for the division's home and professional products group, but operating income slipped 14% as a result of high marketing costs for *Rain Dance* car-care products and in the Sterling Plastics business.

The *Elmer's* consumer adhesives line was strong across-the-board. The brand maintained its dominant position in pourable glues. Results were also helped by high demand for wood filler, including a new "Fill 'N Finish" product that accepts stain exceptionally well.

The *Krylon* spray paint business benefited from its position as a single source of supply for decorator, automotive and industrial coatings. Though the spray paint industry was flat, the *Krylon* brand achieved records for sales volume and income. Its *Rust Magic* family of rust preventative paints did especially well.

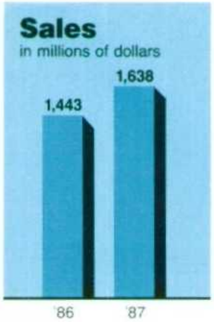
Car-care products held steady in total volume for the year and reached an all-time high for market share at year-end. *Rain Dance* is the leading premium-priced appearance line. Several new items were launched in 1987 to broaden the product range.

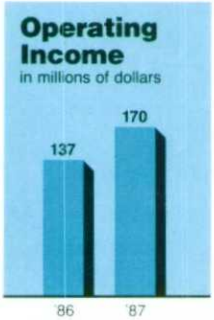
Sterling Plastics' operating income in 1987 was hurt by competitive market conditions and high raw material costs. Volume was steady but prices down. Several new products were launched near year-end.

Canada

Operating income advanced in 1987. Both *Eagle Brand* sweetened condensed milk and *ReaLemon* reconstituted lemon juice performed well, and expanded retailer distribution contributed to major volume and income gains in non-food consumer products such as *Elmer's* adhesives and *Rain Dance* car-care products.

Chemical Division Domestic and International





Worldwide chemical operating income rose 23.7% in 1987 on a sales gain of 13.5%. Domestic income of $144.4 million surged 31.6% ahead of the prior year, and sales of $1,187.6 million were up 13.6%. International sales increased 13.1% to $450.1 million, while operating income slipped 7.8% to $25.2 million primarily because of foreign exchange losses.

On November 30, 1987, Borden, Inc.'s basic chemicals and polyvinyl chloride (PVC) resins operations were transferred to Borden Chemicals and Plastics Limited Partnership. Sales and income for these operations are included in Chemical Division figures through that date.

In June 1987 Borden divested its Polyco emulsion polymers business.

Domestic Operations

Chemical Specialties

An adhesives and chemicals group was formed in 1987 to combine the division's existing specialty adhesives and forest products resins units. The new group achieved record dollar sales based on strong demand in both product lines. Operating income remained at a high level.

The resins and adhesives businesses were each strengthened in September with the acquisition of Perkins Industries, Inc. In addition to manufacturing forest products resins in the Southeast, Perkins is a leading supplier of specialty adhesives to the furniture, millwork and packaging industries.

Specialty adhesives for emerging packaging designs and end uses requiring re-moisturing capability registered strong volume gains. A new series of phenolic resins for plywood manufacturers also contributed to the sales improvement. Expanded resin and formaldehyde facilities at Fayetteville, North Carolina, were completed in early 1988.

The industrial products group, which manufactures phenolic resins for foundry and other applications, achieved record dollar sales reflecting across-the-board increases in market share. Resin sales to the foundry industry were particularly good in the second half of the year. Acme Resin Corporation continued to win broader customer acceptance for *ALpHASET* and *Betaset* resins.

Two 1987 acquisitions contributed to the gains as well: the Kordell Industries foundry resin business, purchased in April; and Arcoa, Inc., a leading maker of foundry refractory coatings, purchased in October.

Market demand for other industrial resins also remained strong. Proprietary coatings cured by ultraviolet light and electron beam were successfully introduced. Developed at Borden's Cincinnati, Ohio, research laboratory, the solvent-free products are already widely used in coatings for fiber-optic cables and metal containers. Radiation-cured adhesives are another rapidly growing line.

The chemical specialties unit in Canada posted record dollar sales and income, benefiting from strong sales of forest products resins to

waferboard producers. A state-of-the-art spray dryer for resins was commissioned at Edmonton, Alberta. Construction under way at Laval, Quebec, will more than double the plant's formaldehyde capacity.

Dollar sales for the film group increased in 1987, principally reflecting higher sales of *Resinite* PVC film. Group income was off from the prior year, however, because of lags in passing through rising raw material costs into product prices.

The *Resinite* line continued to hold a number one position in PVC film, sold for supermarket and institutional food wrapping and other uses. Sales volume increased markedly for *Loadmaster* low-density polyethylene film, used for pallet wrapping. A one-third expansion of the Gainesville, Texas, plant for *Loadmaster* film is scheduled for initial production during the second quarter of 1988. Several new types of *Proponite* polypropylene film have been introduced to expand sales in the snack, confectionery, pasta and industrial packaging markets.

The Vernon Plastics unit posted higher dollar sales by continuing to shift its sales mix toward specialty printed and laminated calendered vinyls. The Fabric Leather unit also showed a sales increase for its line of cast expanded vinyls.

Wallcoverings

The Columbus Coated Fabrics (CCF) wallcoverings unit posted higher sales in 1987 with income nearly matching the prior year. The *Borden Home Wallcoverings* brand showed gains in mass merchandising and home center outlets. Intense promotional activity gave the *Wall-Tex* brand a new market position through sales from independent retailers' stock (complementing its traditional strength in book sales). The *James Seeman Studios* line of high-fashion wallcoverings was acquired in May. Sales dollars and volume were strong for CCF's industrial laminate films.

Columbus Wallcovering Company (CWC) was formed to operate Borden's network of company-owned distribution centers. Cassidy-Hicks Wallcovering Co. of Denver, Colorado, was acquired in October and folded into CWC.

Sales and operating income were up approximately 30% for Crown/Sunworthy. Crown did well in its home market in the United Kingdom and in exports (mostly to continental Europe); the Sunworthy unit in Canada and its Sunwall U.S. distribution arm captured a greater share of the North American market, particularly in higher-quality lines. Both Crown and Sunworthy added capacity for vinyl wallcoverings during 1987 and have expansion and modernization projects planned for 1988.

Basic Chemicals and Plastics

The basic chemicals and PVC plastics operations, transferred to the Limited Partnership, were exceptionally strong during the year. The Geismar, Louisiana, complex set a record for production volume of basic chemicals; PVC volume was an all-time high at both the Geismar and Illiopolis, Illinois, plants. Operating income more than doubled for the combined businesses as a result of strong market demand, rising selling prices and improvements in productivity and manufacturing efficiency.

International Operations

Latin America

Alba Quimica Ltda. in Brazil celebrated its 40th anniversary in 1987 by achieving record operating income despite adverse conditions in the nation's economy. Dollar sales were up considerably in its chemical specialties products, including film, forest products resins and foundry resins, and in its well-known lines of non-food consumer products, such as household and professional adhesives and car-care products.

In the major wood-producing regions of the world, forest products resins from Borden Chemical are used by manufacturers of particleboard, fiberboard, plywood and other structural panels.

Sales of *Adria* pasta, the leading brand in Brazil, increased significantly. A premium *Italianissimo* pasta line was introduced during the year. In April the Paty pasta company in Rio de Janeiro was acquired to complement Adria's strong position in the Sao Paulo region.

A new line for *Resinite* film began operation in Argentina, and the non-food consumer products unit in Ecuador posted significant gains in dollar sales and income.

Europe

Each segment of the thermoplastics group in Europe benefited from increased volume and operating efficiency, leading to improvements in dollar sales and operating income.

The *Resinite* film operations in France, Spain and the United Kingdom were helped by a plant consolidation and productivity program. The Belgian flexible film business expanded its marketing in France and Germany as well as the Benelux countries. A major capacity addition in Holland for pallet-wrap film is scheduled for operation during 1988's first quarter.

An expansion is also under way in Holland for rigid PVC packaging. The U.K. rigid packaging unit had record volume and dollar sales, in part from its entry into several new end-use markets.

The industrial products group in France, Spain and the United Kingdom reached an all-time high in operating income in 1987.

The excellent performance in Europe reflected record volume for both forest products resins and foundry resins. Technically advanced forest products resins helped to win greater market share, while *ALpHASET* and *Betaset* foundry resins continued to grow rapidly.

Several new adhesives and specialty tapes also contributed to the improved results.

Social Responsibility

Borden sharply increased its purchases from minority suppliers during the year, while continuing support of health and welfare, cultural, and educational institutions in its locations, and also maintaining efforts to improve the representation of women and minorities in its workforce.

Borden was among the corporate pioneers in developing a minority purchasing program. The Company surpassed its 1986 minority purchasing performance of $51.4 million by 27% in 1987, with a total of $65.4 million in purchases from minority suppliers. The number of minority-owned vendors and suppliers working with Borden increased by 5% during the year as a result of the Company's advertisements in minority-owned publications, participation in national conferences and reputation as a leader in minority purchasing. Borden also made 30% of its total tax payments through minority-owned banks.

The Borden Foundation, as the Company's conduit for charitable contributions, distributed 51% of its 1987 grants to health and welfare organizations, including United Fund drives in 124 Company locations, and a number of special grants to shelters for the homeless. Grants supporting education comprised 21% of the Foundation's budget; chief among these was an award made to the United Negro College Fund, Inc., which represents 42 institutions of higher learning. The Borden Matching Gifts Program marked a 15% increase in the number of organizations and a 20% increase in the value of gifts made by employees in the areas of health, higher education, and the cultural and performing arts.

Each Borden location is responsible for meeting affirmative action hiring and promotion goals established to give fair representation to women and minorities in the Company's workforce. After the record level of achievement in 1986, the Company showed sustained improvement in 1987 in the representation of women in each of the top four job categories (officials and managers, professionals, sales and technicians). Borden's focused effort in 1987 also maintained a minority representation in the top four job categories that far exceeds the national workforce levels.

Changes in Directors and Officers

James D. Finley, retired chairman of J.P. Stevens & Co., Inc. and a member of the Borden Board for 20 years, retired in April 1987.

Ward S. Hagan, former chairman and chief executive officer of Warner-Lambert Company and a Borden director since 1983, retired at the end of August 1987.

Both Mr. Finley and Mr. Hagan have been designated advisors to the Board.

Wilbert J. LeMelle was elected a director in August 1987. Dr. LeMelle is president of Mercy College, a 7,500-student independent institution in Dobbs Ferry, New York.

Frank J. Tasco was elected to the Board in January 1988. He is chairman and chief executive officer of Marsh & McLennan Companies, Inc., a New York City-based insurance brokerage, consulting and investment services firm.

James M. Hess, general controller of Borden since August 1987, was elected a corporate vice president in November 1987. Mr. Hess joined Borden in 1972 and previously served as assistant general controller and in other financial management positions.

OFFICE OF THE CHAIRMAN

Pictured left to right:

H. WAYNE MOSLEY
Executive Vice President
President – Dairy Division

JON G. HETTINGER
Executive Vice President
President – Grocery and
Specialty Products Division

R. J. VENTRES
Chairman and Chief Executive Officer

GEORGE J. WAYDO
Executive Vice President
President – Snacks and International
Consumer Products Division

A. S. D'AMATO
Executive Vice President
President – Chemical Division
Domestic and International

CORPORATE SENIOR VICE PRESIDENTS

LAWRENCE O. DOZA
Chief Financial Officer

ALLAN L. MILLER
Chief Administrative Officer

DIVISION EXECUTIVES

**Chemical Division
Domestic and International**

JOSEPH M. SAGGESE
Senior Group Vice President-
Adhesives & Chemicals/Industrial Resins/
Acme Resin/Canada/Graphics

JOHN S. BELLECCI
Group Vice President-Basic Chemicals &
PVC Operations

BENEDICT LETIZIA
Group Vice President-International

Dairy Division

RICHARD W. FOWLKES
Senior Group Vice President-Borden Dairy

JAY I. JOHNSON
Senior Group Vice President-
Meadow Gold Dairies, Inc.

KENNETH W. BEAMAN
Group Vice President-Borden South East

ROBERT E. DAWSON
Group Vice President-Borden South West

ROBERT M. MALONEY
Group Vice President-Borden Northern

Grocery and Specialty Products Division

LEE N. ARST
Group Vice President-Confection and Main Meals

JERRY C. CLOWDUS
Group Vice President-Specialty Products

JOHN F. DIX
Group Vice President-Desserts and Beverages

L. JOHN WESTERBERG
Group Vice President-Pasta

Snacks and International Consumer Products Division

DAN O'RIORDAN
Senior Group Vice President-International

PETER M. DUGGAN
Group Vice President-Snacks

CORPORATE VICE PRESIDENTS

ALFRED S. CUMMIN
Science and Technology

FRANK L. FLORIAN
Planning

JAMES M. HESS
General Controller

KAREN L. JOHNSON
Consumer Affairs

DAVID A. KELLY
Treasurer

WALTER W. KOCHER
General Counsel

JAMES T. McCRORY
Public Affairs

FRANK H. VOIGT
Employee Relations

STAFF DEPARTMENTS

ROBERT G. TRITSCH
Secretary

H. CORT DOUGHTY, JR.
Assistant Secretary

RICHARD H. BYRD
Assistant Treasurer

FRED J. CHRVALA
Assistant Treasurer

TERRENCE W. GASPER
Assistant Treasurer

GEORGE W. SANBORN
Assistant Treasurer

L. CLARKE BUDLONG
Assistant General Controller

EDMUND M. KONOPKA
Assistant General Controller

RICHARD WEBER
Assistant General Controller

PAUL J. JOSENHANS
Associate General Counsel

LAWRENCE L. DIEKER
Assistant General Counsel

JAMES A. KING, JR.
Assistant General Counsel

RONALD P. MORAN
Assistant General Counsel

JUDY BARKER
President, The Borden Foundation

JOSEPH A. McCAHERY
General Auditor

DIRECTORS

Theodore Cooper, M.D., R. J. Ventres, Virginia Dwyer, Wilbert J. LeMelle

Eugene J. Sullivan, Patricia Carry Stewart, Franklin H. Williams

John W. Lynn, Pieter C. Vink, Robert T. Quittmeyer

Frank J. Tasco

THEODORE COOPER, M.D.
Chairman of the Board and Chief Executive Officer
The Upjohn Company
(Pharmaceuticals)

VIRGINIA DWYER
Former Senior Vice President – Finance
American Telephone and Telegraph Company

WILBERT J. LeMELLE
President
Mercy College

JOHN W. LYNN
Retired Chairman and Chief Executive Officer
F.W. Woolworth Co.
(Retail merchandising)

ROBERT T. QUITTMEYER
Former Chairman and Chief Executive Officer
Amstar Corporation
(Sweeteners-industrial and technical products)

PATRICIA CARRY STEWART
Vice President
The Edna McConnell Clark Foundation
(Charitable foundation)

EUGENE J. SULLIVAN
Chairman of the Executive Committee
Former Chairman and Chief Executive Officer

FRANK J. TASCO
Chairman of the Board and Chief Executive Officer
Marsh & McLennan Companies, Inc.
(Insurance brokerage, consulting and investment services) Elected January 1988.

R. J. VENTRES
Chairman and Chief Executive Officer

PIETER C. VINK
Retired Chairman
North American Philips Corporation
(Electrical/electronic manufacturing)

FRANKLIN H. WILLIAMS
President
Phelps-Stokes Fund
(Educational foundation)

Sales and Earnings

Sales for 1987 increased 30.2% to $6.514 billion from $5.002 billion in 1986. Net income for 1987 reached an all time high of $267.1 million, an increase of 19.6% over $223.3 million in 1986. Earnings per share were $3.62, an increase of 20.7% from $3.00 in 1986.

Dividends

Dividends for 1987 were $1.24 per share, an increase of 13.4% over 1986. The increase in 1987 represents the fourteenth consecutive yearly increase. Dividends have been paid without interruption for 89 years. Future dividends and the amount thereof will depend upon earnings, cash requirements and other relevant factors.

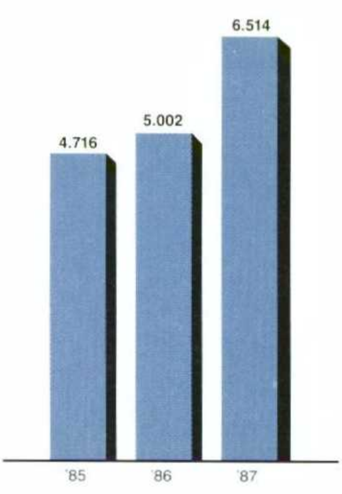
Return on Average Shareholders' Equity

Return on average shareholders' equity was 17.2% in 1987 and 15.7% in 1986.

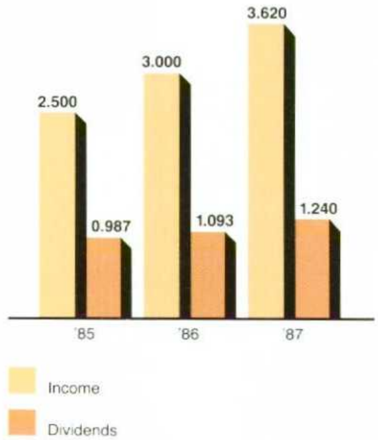
Management's Discussion and Analysis of Financial Condition and Results of Operations

Borden is primarily engaged in purchasing, manufacturing, processing and distributing a broad range of consumer and chemical specialty products, both domestically and in foreign countries. Borden operates in two major industry segments: foods and chemical. Internally, Borden is organized into four operating divisions: Chemical Domestic and International; Dairy; Grocery and Specialty Products; and, Snacks and International Consumer Products. The foods segment encompasses primarily the Dairy Division; the Grocery and Specialty Products Division; and, the Snacks and International Consumer Products Division. The chemical segment encompasses primarily the Chemical Division Domestic and International. For administrative purposes certain chemical segment operations are included in the Grocery and Specialty Products and the Snacks and International Consumer Products Divisions; and, certain foods segment operations are included in the Chemical Division Domestic and International. A breakdown of the Company's sales, operating profit and other information between the foods and chemical industry segments is presented on pages 35 and 36. A three-year summary of sales and operating income by the four operating divisions is presented on page 32. An analysis of the results achieved, financial position and changes in financial

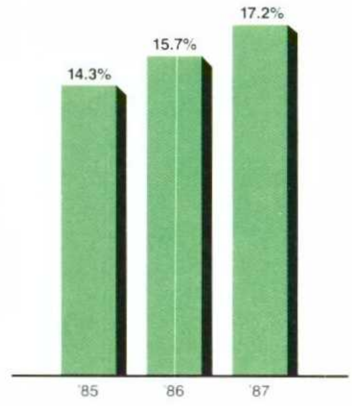
Sales
in billions of dollars



Income and Dividends Per Share
in dollars



Return on Average Shareholders' Equity
% return



(Dollars In Thousands) *For the Years*	1987		1986		1985	
Division Sales						
Chemical Domestic and International	**$1,637,753**	**25%**	$1,443,097	29%	$1,353,455	29%
Dairy	**2,210,085**	**34**	1,331,070	26	1,248,240	26
Grocery and Specialty Products	**1,516,087**	**23**	1,192,380	24	1,133,715	24
Snacks and International Consumer Products	**1,150,497**	**18**	1,035,550	21	980,762	21
Total	**$6,514,422**	**100%**	$5,002,097	100%	$4,716,172	100%
Division Operating Income						
Chemical Domestic and International	**$ 169,538**	**27%**	$ 137,059	27%	$ 98,603	25%
Dairy	**116,343**	**19**	79,121	16	73,839	18
Grocery and Specialty Products	**207,380**	**34**	168,733	34	137,612	35
Snacks and International Consumer Products	**120,653**	**20**	114,047	23	87,456	22
Total	**613,914**	**100%**	498,960	100%	397,510	100%
Other income and expenses not allocable to divisions and income taxes	**(346,858)**		(275,648)		(203,706)	
NET INCOME	**$ 267,056**		$ 223,312		$ 193,804	

position in both industry segments, in terms of the Company as a whole and its divisions for the three most recent years follows.

Liquidity and Capital Resources

Borden meets the majority of its operating cash requirements through operations. The amounts provided from operations and retained in the business in 1987, 1986 and 1985 were $325.0 million, $365.8 million and $350.1 million, respectively. Short-term borrowings are utilized to meet temporary cash requirements. See Note 3 of the Notes to Consolidated Financial Statements for further information regarding short-term borrowings.

Borden borrows domestically at commercial paper rates and has credit agreements available with domestic and foreign lending institutions to support commercial paper borrowing of approximately $475.0 million. The credit agreements bear interest, if used, at approximately the prime rate, or less, in effect at the date of use. Additional unused lines of credit totaling $234.0 million at December 31, 1987 were available for use by foreign subsidiaries.

At December 31, 1987, $300.0 million of commercial paper has been classified as long-term debt because the Company has both the intent and ability, through its credit facilities, to maintain such amount of debt for more than one year. At December 31, 1986, $315.0 million of commercial paper was classified as long-term debt because it served as bridge financing for the Meadow Gold dairy acquisition and was retired in 1987 with the proceeds from the issuance of Medium Term Notes.

In 1987, 1986 and 1985, long-term debt financing provided $751.9 million, $519.3 million and $310.1 million, respectively.

Long-term debt financing in 1987 included the proceeds from the $315.0 million issuance of Medium Term Notes, the proceeds from the $300.0 million of commercial paper classified as long-term debt, and the proceeds from a $125.0 million issuance of 10-year, 9⅞% Notes. The proceeds from the issuance of Medium Term Notes were used to repay the commercial paper classified as long-term debt at December 31, 1986. The proceeds from the commercial paper classified as long-term debt were used to finance the purchase of businesses and to retire the $100.0 million of 12½% Eurodollar Extendible Notes. The proceeds from the issuance of the 9⅞% Notes were used primarily to repay short-term debt.

Long-term debt financing in 1986 included the proceeds from a $200.0 million offering of 30-year, 8⅜% sinking fund debentures, which were used to repay commercial paper classified as long-term debt at December 31, 1985, and the proceeds from the $315.0 million of commercial paper, which were used for the Meadow Gold dairy acquisition.

Long-term debt financing provided in 1985 included $200.0 million of outstanding commercial paper classified as long-term debt and the proceeds from a $100.0 million offering of 10-year, 10¼% notes, which were used primarily to repay short-term debt.

Debt payable within one year decreased $71.2 million in 1987, increased $41.3 million in 1986, and decreased $94.9 million in 1985.

The Company's strong financial position and history of growth in earnings provide a solid base for obtaining substantial financial resources. At December 31, 1987, the Company had the ability to borrow up to $475.0 million under shelf registration statements which provide the Company with the flexibility to enter the debt market quickly and take advantage of favorable market conditions. If required, management believes that cash could be raised through additional long-term borrowings.

The provisions of the Tax Reform Act of 1986 did not materially affect the amount of taxes payable by the Company for 1987 or 1986. In the future, the benefit of lower tax rates is expected to more than offset negative aspects of the act. The Company has not adopted the recently issued SFAS No. 96—Accounting for Income Taxes. The effect such adoption would have on the Company's operating results has not yet been determined.

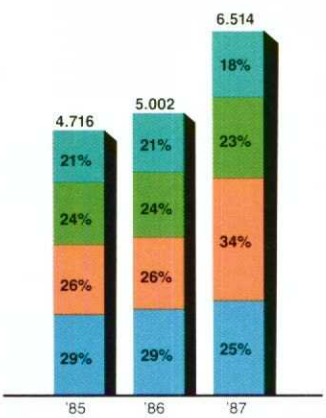
During 1987, the Company completed a restructuring of its commodity chemicals and plastics assets through the formation of Borden Chemicals and Plastics Limited Partnership (the Partnership). The Company contributed its basic chemical and PVC resin business to the Partnership in exchange for 100% of the Partnership's preference and common units, the general partner interest in the Partnership and $148.4 million net proceeds from the issuance to certain financial institutions of $150.0 million principal amount of senior notes which were issued by the subsidiary operating partnership of the Partnership. The Company, through a wholly-owned subsidiary, subsequently sold all of the preference units in two separate underwritten public offerings for which it received net proceeds of $264.1 million. The restructuring converted assets previously committed to commodity products into $412.5 million in cash which provided the Company with funds to continue its active acquisition program in its six strategic growth areas. At the same time, the Partnership structure affords the Company, under its own management, a reliable supply of certain raw materials required by its downstream chemical specialty operations. The supply of raw materials to the Company from the Partnership is covered by fifteen-year purchase and processing agreements at quantities based upon the Company's requirements and at prices which approximate market. The Company and its subsidiaries currently retain, through ownership of the common units and general partner interest, a combined 25% interest in the Partnership and its subsidiary operating partnership. Under the terms of the Partnership agreement, the Company is required to retain the 25% interest for at least ten years.

During 1987, the Company acquired 23 operations for a total cost of $442.6 million. The 1987 acquisitions include four dairy operations, two snack operations, three pasta operations, three seafood specialty operations, two West German bakeries, two food flavoring businesses, a bouillon operation, a dehydrated soup operation, two wallcovering distributors and three chemical specialty operations. Acquisitions during 1986, with a total cost of $556.2 million, include the Meadow Gold dairies, three pasta operations, a dehydrated soup and pasta manufacturer, a snacks operation, a producer of clam products, a substitute cheese operation, two wallcovering distributors, and an industrial resins operation. Acquisitions during 1985, with a total cost of $66.0 million, include the Crown and Sunworthy wallcovering operation, two pasta operations, a dairy operation, and a West German bakery operation.

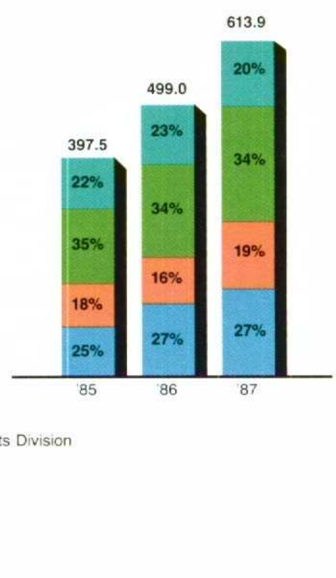
Borden is actively engaged in complying with environmental protection laws, as well as the various federal and state statutes and regulations relating to producing, processing, and distributing its many products. In this connection Borden incurred approximately $13.2 million of capital expenditures in 1987 as compared to $5.2 million in 1986 and $5.1 million in 1985. It is estimated that Borden will spend $7.1 million for environmental control facilities during 1988.

In 1987, the Company acquired .6 million treasury shares at a cost of $25.2 million. In 1986 and 1985 it acquired 3.9 million shares at a cost of $144.8 million and 1.6 million shares at a cost of $42.3 million, respectively. Treasury shares on hand and any additional shares which may be purchased in 1988 will be held for general corporate purposes including possible future acquisitions.

Sales by Division
in billions of dollars



Operating Income by Division
in millions of dollars



Results of Operations

Borden's operating divisions must deal with intense competition on the local and national level, both in the United States and overseas. Advertising and promotion expenditures were increased to $377.9 million in 1987 from $285.1 million in 1986 and $267.6 million in 1985 in order to preserve and expand Borden's market share.

Research and development expenditures were $25.0 million in 1987, $22.7 million in 1986 and $23.8 million in 1985. The development and marketing of new food and chemical products is carried out at the divisional level and is integrated with quality controls for existing product lines.

Net sales in 1987 increased 30.2% to a record $6.514 billion from 1986 sales of $5.002 billion as all four operating divisions posted increases. This exceeded the 1986 sales increase of 6.1% from 1985 sales of $4.716 billion.

Earnings per share rose 20.7% to $3.62 from $3.00 in 1986. Earnings per share in 1986 exceeded the 1985 mark of $2.50 by 20.0%. Net income increased to a new high of $267.1 million, a 19.6% increase from $223.3 million in 1986. The 1986 amount was 15.2% higher than the $193.8 million for 1985.

Income taxes in 1987 were $206.2 million versus $166.9 million in 1986, as a result of higher income in 1987 and effective income tax rates of 43.6% in 1987 and 42.8% in 1986. The income taxes were $130.7 million in 1985 which had an effective income tax rate of 40.3%.

Divisional operating income for 1987, as discussed below, increased $114.9 million to $613.9 million from $499.0 million in 1986 as each operating division posted strong gains. Operating income in 1986 was increased from the 1985 amount of $397.5.

The Chemical Division Domestic and International's 1987 sales increased 13.5% to $1.638 billion from $1.443 billion in 1986. Operating income increased 23.7% to $169.5 million from the $137.1 million level the year earlier. The increase in operating income was primarily due to an improvement in the basic chemical and PVC operations as a result of improved pricing and a stronger demand for chemical specialty products. The Division's 1986 sales increased 6.6% from 1985, while operating income increased 39.0% due primarily to higher selling prices and cost controls.

The Dairy Division's 1987 sales increased 66.0% to $2.210 billion from $1.331 billion in 1986. Operating income increased 47.0% to $116.3 million from $79.1 in 1986. Sales and operating income increased primarily due to the inclusion of results for the Meadow Gold dairies. The Division's 1986 sales increased 6.6% and operating profit increased 7.2% from 1985 levels, primarily as a result of manufacturing and distribution efficiencies, higher-margin new products, and tight cost controls.

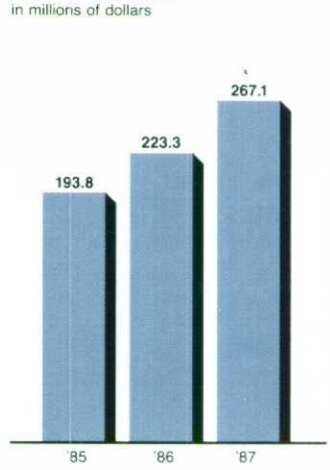
The Grocery and Specialty Products Division's 1987 sales increased 27.1% to $1.516 billion from $1.192 billion in 1986 led by a doubling of pasta sales primarily due to acquisitions. Operating income increased 22.9% to $207.4 million from $168.7 million in 1986 primarily as a result of increased pasta sales, strong merchandising activities, and cost efficiencies. The Division's 1986 sales increased 5.2% while operating income increased 22.6% from 1985.

The Snacks and International Consumer Products Division's 1987 sales increased 11.1% to $1.150 billion from $1.036 billion in 1986. Operating income increased 5.8% to $120.7 million from $114.0 million in 1986. The domestic snacks group benefited from favorable commodity prices, cost efficiencies from capital projects, production consolidations and sales growth. The results of the international consumer products group were favorably affected by the acquisitions of the West German bakeries and cost reductions. The Division's 1986 sales increased 5.6% from 1985 and operating income increased 30.4%.

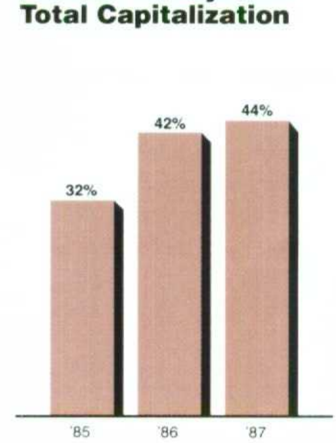
Inflation

Inflation in the U.S. has slowed in recent years. However, it continues to affect the economies in certain countries where the Company does business. The Company continuously attempts to minimize the effect of inflation through cost reductions and improved productivity.

Net Income
in millions of dollars



Total Debt as a Percent of Adjusted Total Capitalization



Business Segments

Borden, Inc., as discussed on the previous pages, operates in two major industry segments: foods and chemical. Corporate departments provide certain centralized services for the corporation and all operating units. The Company's general offices are located in Columbus, Ohio and its executive offices in New York City. Production facilities are located throughout the United States and in many foreign countries. The Company's operating properties are generally well maintained and effectively utilized.

The foods segment includes the following primary product lines: processed cheese, non-dairy creamer, reconstituted lemon and lime juice, bouillon, instant coffee, sweetened condensed milk, snack foods and cakes, confections, jams and jellies, pasta, seafood, dehydrated soups, industrial flavorings, homogenized milk, whole milk powder, ice cream and milks, sherbets, yogurt, cottage cheese, frozen novelties, low-fat dairy products, milk-based products for the industrial trade, and fruit drinks. The chemical segment produces non-food consumer products including wallcoverings, adhesives and caulks, spray paints and car care products. Chemical specialties produced by the chemical segment include synthetic adhesives for the forest products and packaging industries, transparent wrapping film and resins for the foundry industry. The basic chemical products historically produced by Borden and used in the Company's downstream production facilities to produce certain chemical specialties are now supplied by Borden Chemicals and Plastics Limited Partnership.

As of December 31, 1987, the Company operated 137 domestic food manufacturing and processing facilities in 39 states and Puerto Rico. The most significant of these facilities are the Illinois plant producing Cracker Jack, bouillon and dehydrated soup, the Alabama plant producing Bama jams and jellies and ReaLemon, the Arizona, Minnesota and Massachusetts pasta plants and the snacks and dairy facilities located throughout the country. In addition, the Company operated 41 foreign food and dairy manufacturing and processing facilities located principally in Latin America and Western Europe.

As of December 31, 1987, the Company operated 41 domestic chemical manufacturing and processing facilities in 19 states, the most significant being the Resinite operations in Georgia, Massachusetts and Texas. In addition, the Company operated 47 foreign chemical manufacturing and processing facilities located principally in Brazil, Western Europe, Canada and the Far East.

Domestic products for the foods segment are marketed primarily through food brokers and distributors, and directly to wholesalers, retail stores, food service businesses, food processors, institutions and governmental agencies. The chemical segment products are sold throughout the United States to industrial users and, in the case of consumer products, by an in-house and independent sales force to distributors, wholesalers, jobbers and dealers. To the extent practicable, international distribution techniques parallel those used in the United States. However, raw materials, production considerations, pricing competition, governmental policy toward industry and foreign investment and other factors vary substantially from country to country for both industry segments.

Segment operating profit as shown on page 36 is total revenue less operating expenses. In computing segment operating profit none of the following items have been deducted from revenue: general corporate expenses, interest expense and Federal, state and local income taxes. Minority interests in earnings of certain subsidiaries and the Company's equity in earnings of unconsolidated 20% to 50% owned companies were immaterial and have been included in segment operating profit.

Identifiable assets by segment are those assets that are used in the segments' operations. Corporate assets are principally cash and cash items.

(In thousands)	*Year Ended December 31*	1987	1986	1985
Net Sales	Foods	**$4,657,306**	$3,364,137	$3,184,655
	Chemical	**1,857,116**	1,637,960	1,531,517
	Total	**$6,514,422**	$5,002,097	$4,716,172
Operating Profit	Foods	**$ 405,873**	$ 323,017	$ 268,551
	Chemical	**208,041**	175,943	128,959
	Total segments	**613,914**	498,960	397,510
	General Corporate income (expense)	**(21,015)**	(28,601)	1,351
	Interest expense	**(119,643)**	(80,147)	(74,357)
	Earnings before income taxes	**473,256**	$ 390,212	$ 324,504
Identifiable Assets	Foods	**$2,735,755**	$2,068,475	$1,485,675
	Chemical	**1,121,223**	1,398,924	1,336,474
	Total segments	**3,856,978**	3,467,399	2,822,149
	Corporate assets	**300,385**	114,790	110,097
	Total	**$4,157,363**	$3,582,189	$2,932,246
Depreciation, Depletion, and Amortization	Foods	**$ 79,720**	$ 57,012	$ 52,576
	Chemical	**76,243**	77,161	67,389
Capital Expenditures	Foods	**$ 127,587**	$ 77,190	$ 90,485
	Chemical	**67,829**	84,048	101,925
Foreign Operations	Net sales	**$1,158,926**	$ 957,907	$ 832,311
	Operating profit	**120,844**	111,472	75,884
	Identifiable assets	**930,847**	674,915	636,656

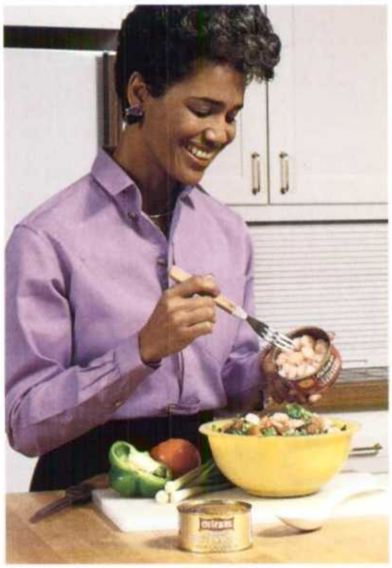
(All dollar and share figures in thousands—except market price, number of common shareholders, average number of employees, and per share statistics)

For the Years	1987	1986	1985	1984	1983
Summary of Earnings					
Net sales	**$6,514,422**	$5,002,097	$4,716,172	$4,568,018	$4,264,771
Income taxes	**206,200**	166,900	130,700	136,700	139,600
Net income	**267,056**	223,312	193,804	182,082	184,581
Percent of net income to sales	**4.1%**	4.5%	4.1%	4.0%	4.3%
Net income per common share	**$ 3.62**	$ 3.00	$ 2.50	$ 2.26	$ 2.13
Dividends:					
Common share	**$ 1.24**	$ 1.093	$ 0.987	$ 0.883	$ 0.795
Preferred series B share	**1.32**	1.32	1.32	1.32	1.32
Average number of common shares outstanding during the year	**73,712**	74,547	77,532	80,532	86,456
Financial Statistics					
Capital expenditures	**$ 201,773**	$ 163,017	$ 193,602	$ 163,751	$ 184,914
Inventories	**566,177**	462,571	423,046	418,740	397,751
Property, plant and equipment, net	**1,194,760**	1,443,246	1,296,460	1,214,260	1,187,765
Depreciation, depletion and amortization	**159,147**	137,237	122,651	111,875	94,602
Total assets	**4,157,363**	3,582,189	2,932,246	2,767,135	2,622,128
Current assets	**1,868,958**	1,437,470	1,318,734	1,221,729	1,138,461
Current liabilities	**1,147,117**	1,005,338	705,182	781,202	684,593
Working capital	**721,841**	432,132	613,552	440,527	453,868
Current ratio	**1.6:1**	1.4:1	1.9:1	1.6:1	1.7:1
Long-term debt	**$1,172,095**	$ 845,442	$ 526,563	$ 423,413	$ 377,683
Total debt to adjusted total capitalization	**44%**	42%	32%	34%	29%
Shareholders' equity	**$1,658,849**	$1,438,743	$1,407,795	$1,309,604	$1,342,024
Liquidating value of preferred stock	**(376)**	(409)	(494)	(576)	(649)
Common shareholders' equity	**1,658,473**	1,438,334	1,407,301	1,309,028	1,341,375
Equity per common share at year-end	**22.52**	19.54	18.27	16.78	15.96
Return on average shareholders' equity	**17.2%**	15.7%	14.3%	13.7%	14.0%
Ratio of earnings to fixed charges	**4.4:1**	4.9:1	4.5:1	4.4:1	4.5:1
Shareholders' Data					
Outstanding shares at year-end:					
Common	**73,653**	73,625	77,016	78,023	84,024
Preferred series B	**13**	14	17	20	22
Market price of common stock:					
At year-end	**$ 49½**	$ 46⅞	$ 34⅜	$ 21⅝	$ 18⅞
Range during year	**63⅞-30**	52½-31¾	35⅝-21⅛	21⅝-16⅝	20⅜-15⅛
Number of common shareholders	**40,743**	40,474	43,374	43,409	45,689
Employees' Data					
Payroll	**$ 815,426**	$ 667,500	$ 637,300	$ 608,400	$ 578,000
Average number of employees	**39,400**	33,800	32,700	32,200	32,600

CONSOLIDATED STATEMENTS OF INCOME

(In thousands except per share data)	*Year Ended December 31,*	1987	1986	1985
Revenue	Net Sales	**$6,514,422**	$5,002,097	$4,716,172
Costs and Expenses	Cost of goods sold	**4,889,890**	3,742,193	3,615,560
	Marketing, general and administrative expenses	**1,020,235**	814,224	727,314
	Interest expense	**119,643**	80,147	74,357
	Other income and expense, interest income, and equity in income of affiliates, net	**11,398**	(24,679)	(25,563)
	Income taxes	**206,200**	166,900	130,700
		6,247,366	4,778,785	4,522,368
Earnings	Net income	**$ 267,056**	$ 223,312	$ 193,804
Share Data	Net income per common share	**$ 3.62**	$ 3.00	$ 2.50
	Cash dividends per common share	**1.24**	1.093	0.987
	Average number of common shares outstanding during the year	**73,712**	74,547	77,532

See Notes to Consolidated Financial Statements



(In thousands)	*Year Ended December 31,*	1987	1986	1985
Funds Provided From Operations And Retained In The Business	Division operating income	**$ 613,914**	$ 498,960	$ 397,510
	Depreciation, depletion, and amortization	**159,147**	137,237	122,651
	Changes in trade receivables, payables, and inventories	**(70,715)**	17,718	16,117
	Other, net	**(96,910)**	(49,244)	(20,336)
		605,436	604,671	515,942
	Income taxes paid	**(189,009)**	(157,524)	(89,379)
	Dividends paid	**(91,433)**	(81,347)	(76,501)
		324,994	365,800	350,062
Funds Provided From Divested Operations	Divestiture of businesses	**473,003**	209,094	4,339
Funds Used In Investment Activities	Purchase of businesses	**(442,648)**	(556,160)	(66,044)
	Capital expenditures	**(201,773)**	(163,017)	(193,602)
		(644,421)	(719,177)	(259,646)
Funds Provided From Financing Activities	Acquisition of treasury stock	**(25,222)**	(144,784)	(42,324)
	Stock issued in connection with acquisitions and stock options	**30,576**	19,186	13,888
	(Decrease) increase in debt payable within one year	**(71,163)**	41,322	(94,898)
	Long-term debt financing	**751,925**	519,253	310,075
	Reduction in long-term debt	**(474,326)**	(227,675)	(207,518)
	Interest paid, net	**(97,482)**	(74,346)	(55,244)
		114,308	132,956	(76,021)
	Increase (decrease) in cash (including time deposits and short-term investments)	**$ 267,884**	$ (11,327)	$ 18,734

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

(In thousands except share and per share data)	*December 31,*	**1987**	1986
ASSETS			
Current Assets	Cash (including time deposits and short-term investments of $300,765 and $33,498, respectively)	**$ 397,626**	$ 129,742
	Accounts receivable (less allowance for doubtful accounts of $15,481 and $13,421, respectively)	**762,083**	720,531
	Inventories:		
	Finished and in process goods	**357,981**	288,322
	Raw materials and supplies	**208,196**	174,249
	Other current assets	**143,072**	124,626
		1,868,958	1,437,470
Investments and Other Assets	Investments in and advances to affiliated companies	**104,121**	24,385
	Other assets	**92,443**	102,126
		196,564	126,511
Property and Equipment	Land	**83,424**	83,774
	Buildings	**495,634**	460,286
	Machinery and equipment	**1,586,767**	1,975,686
		2,165,825	2,519,746
	Less accumulated depreciation	**(971,065)**	(1,076,500)
		1,194,760	1,443,246
Intangibles	Intangibles resulting from business acquisitions	**897,081**	574,962
		$4,157,363	$3,582,189

See Notes to Consolidated Financial Statements

	December 31,	1987	1986
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities	Debt payable within one year	**$ 125,973**	$ 189,668
	Accounts and drafts payable	**523,812**	460,577
	Income taxes	**199,395**	52,920
	Other current liabilities	**297,937**	302,173
		1,147,117	1,005,338
Other	Long-term debt	**1,172,095**	845,442
	Deferred income taxes	**164,160**	280,858
	Other long-term liabilities	**10,131**	7,907
	Minority interests in consolidated subsidiaries	**5,011**	3,901
		1,351,397	1,138,108
Shareholders' Equity	Capital Stock:		
	Preferred stock—no par value Authorized 10,000,000 shares Issued series B convertible—13,022 shares and 14,158 shares, respectively (involuntary liquidating value of $376 or $28.88 per share at December 31, 1987)	**54**	58
	Common stock—$1.25 par value Authorized 240,000,000 shares Issued 100,991,887 shares	**126,240**	126,240
	Paid in capital	**288,205**	268,269
	Accumulated translation adjustment	**(40,308)**	(79,437)
	Retained earnings	**1,778,713**	1,603,090
		2,152,904	1,918,220
	Less common stock in treasury (at cost)—27,338,882 shares and 27,367,248 shares, respectively	**(494,055)**	(479,477)
		1,658,849	1,438,743
		$4,157,363	$3,582,189

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(In thousands)

Three Years Ended December 31, 1987	CAPITAL STOCK ISSUED Preferred Series B	Common	Paid-In Capital	Accumulated Translation Adjustment	Retained Earnings	Treasury Stock
Balance, December 31, 1984	$82	$126,240	$258,215	$(103,342)	$1,343,822	$(315,413)
Net income					193,804	
Cash dividends:						
Common stock					(76,477)	
Preferred series B					(24)	
Translation adjustment for the period				9,324		
Stock reacquired for acquisitions and treasury						(42,324)
Preferred series B stock converted	(11)		(119)			130
Stock issued for exercised options			1,290			3,998
Stock issued for acquisitions			4,151			4,449
Balance, December 31, 1985	71	126,240	263,537	(94,018)	1,461,125	(349,160)
Net income					223,312	
Cash dividends:						
Common stock					(81,327)	
Preferred series B					(20)	
Translation adjustment for the period				14,581		
Stock reacquired for acquisitions and treasury						(144,784)
Preferred series B stock converted	(13)		(148)			161
Stock issued for exercised options			4,880			4,721
Stock issued for acquisitions						9,585
Balance, December 31, 1986	58	126,240	268,269	(79,437)	1,603,090	(479,477)
Net income					267,056	
Cash dividends:						
Common stock					(91,416)	
Preferred series B					(17)	
Translation adjustment for the period				39,129		
Stock reacquired for acquisitions and treasury						(25,222)
Preferred series B stock converted	(4)		(62)			66
Stock issued for exercised options			3,933			2,619
Stock issued for acquisitions			16,065			7,959
Balance, December 31, 1987	$54	$126,240	$288,205	$ (40,308)	$1,778,713	$(494,055)

See Notes to Consolidated Financial Statements

(In thousands except share and per share data)

1. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company, as summarized below, are in conformity with generally accepted accounting principles.

Principles of Consolidation—The Consolidated Financial Statements include the accounts of Borden, Inc. and its subsidiaries, after elimination of material intercompany accounts and transactions. The Company's proportionate share of the net earnings of unconsolidated 20% to 50% owned companies is included in income. The carrying value of these companies approximates Borden's interest in their underlying net assets. Investments of less than 20% ownership are carried at cost.

Inventories—Inventories are stated at the lower of cost or market. Cost is determined using the average cost and first-in, first-out methods.

Property and Equipment—Land, buildings and machinery and equipment are carried at cost.

Depreciation is recorded on the straight-line basis by charges to costs and expenses at rates based on the estimated useful lives of the properties (average rates for buildings—3%; machinery and equipment—7%).

Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts.

Intangibles—The excess of purchase price over net tangible assets of businesses acquired is carried as intangibles in the Consolidated Balance Sheets. It is the Company's policy to carry intangibles arising prior to November 1970 at cost until such time as there may be evidence of diminution in value or the term of existence of such value becomes limited. Intangibles arising after October 1970 are being amortized on a straight-line basis generally over a forty-year period.

Income Taxes—The provision for income taxes includes Federal, foreign, state and local income taxes currently payable and those deferred because of timing differences between income for financial statements and income for tax purposes. Investment tax credits are recorded as a reduction of current income tax expense in the years realized. A substantial portion of the undistributed earnings of subsidiaries, primarily outside the United States, has been reinvested and is not expected to be remitted to the parent company. Accordingly, no additional Federal income taxes have been provided and at December 31, 1987, the cumulative amount of reinvested income was approximately $354,000.

Pension, Retirement Savings and Certain Postretirement Benefits Plans—Substantially all of the Company's domestic and Canadian employees are covered under one of the Company's pension plans or one of the union-sponsored plans to which the Company contributes. For 1987 and 1986 the Company's pension expense was determined pursuant to the provisions of Statement of Financial Accounting Standard No. 87, "Employers Accounting for Pensions," which the Company adopted as of January 1, 1986. Pension expense for 1985 includes current service cost and amortization of prior service costs, effectively, over a thirty year period. The Company funds pension costs in accordance with the funding requirements of the Employee Retirement Income Security Act of 1974.

Substantially all domestic and Canadian salaried employees participate in the Company's retirement savings plans. The Company's cost of providing the retirement savings plans represents its matching of eligible contributions made by participating employees and is recognized as a charge to income in the year the cost is incurred.

The Company provides certain health and life insurance benefits for eligible domestic and Canadian retired employees. Retired employees may become eligible for coverage under the provisions of the Company's plans. The cost of providing health and life insurance benefits to retired employees under Company plans is recognized as a charge to income in the year the cost is incurred.

Earnings Per Share—Earnings per common share are computed based on the weighted average number of common shares outstanding.

2. Foreign Affiliates

The financial statements of foreign entities have been translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 52. The principal policies are that assets and liabilities are generally translated at current exchange rates and related translation adjustments are reported as a component of shareholders' equity. For entities in highly inflationary countries a combination of current and historical rates are used in translating assets and liabilities. Related exchange adjustments are included in net income.

After translation into U.S. dollars, the Company's proportionate share of net assets of foreign affiliates included in the Consolidated Financial Statements was $440,000 at December 31, 1987 and $370,000 at December 31, 1986.

Realized and unrealized net foreign exchange losses aggregating $33,500, $5,300, and $20,000 were charged against net income in 1987, 1986 and 1985, respectively.

3. Debt, Lease Obligations and Related Commitments

Debt outstanding at December 31, 1987 and 1986 is as follows:

	1987		1986	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
12½% Eurodollar Extendible Notes			$100,000	
10¼% Notes due 1995	$ 100,000		100,000	
9⅞% Notes due 1997	125,000			
Medium Term Notes, Series A (at an average rate of 7.45%)	295,000	$ 20,000		
Sinking fund debentures:				
4⅛% due 1991			605	
8⅜% due 2016	200,000		200,000	
Commercial paper (at an average rate of 7.1% and 6.6%, respectively)	300,000		315,000	
Industrial Revenue Bonds (at an average rate of 8.5% and 8.9%, respectively)	73,362	1,063	67,000	$535
Other borrowings (at an average rate of 9.5% and 8.0%, respectively)	78,733	18,544	62,837	4,100
Total current maturities of long-term debt		39,607		4,635
Short-term debt:				
Commercial paper (at an average rate of 7.2%)				77,150
Other (primarily foreign bank loans at an average rate of 10.8% and 11.4%, respectively)		86,366		67,883
Domestic Bank Loans (at an average rate of 7.6%)				40,000
Total debt	$1,172,095	$125,973	$845,442	$189,668

During 1987, the Company sold, at approximately par, $315,000 of Medium Term Notes, which bear an average interest rate of 7.45% and are due to mature from nine months to ten years after date of issue, and $125,000 of 9⅞% Notes with final maturity in 1997. Proceeds from the sale of the Medium Term Notes were used to repay commercial paper classified as long-term debt at December 31, 1986, and proceeds from the sale of the 9⅞% Notes were used primarily to repay short-term debt. During 1986, the Company sold, at approximately par, $200,000 of 8⅜% sinking fund debentures with a final maturity in 2016. The proceeds from that sale were also used to repay commercial paper classified as long-term debt.

At December 31, 1987, $300,000 of outstanding commercial paper has been classified as long-term debt since the Company has both the intent and ability, through its credit facilities, to maintain such amount of debt for more than one year. At December 31, 1986, $315,000 of commercial paper was classified as long-term debt because it served as a bridge financing for the Meadow Gold dairy acquisition and was retired with the proceeds from the issuance of the Medium Term Notes discussed above.

At December 31, 1986, $100,000 of 12½% Eurodollar Extendible Notes, which could mature or be extended in October 1987, were classified as long-term debt because at that time the Company had both the intent and ability, through its credit facilities, to maintain such amount of debt for more than one year. In October 1987, the Company elected not to extend the maturity of the notes and to repay them with a portion of the commercial paper borrowings that are classified as long-term at December 31, 1987.

Aggregate maturities of long-term debt and minimum annual rentals under agreements classified and accounted for as operating leases at December 31, 1987 are as follows:

	Long-Term Debt	Minimum Rentals on Operating Leases
1988	$ 39,607	$29,341
1989	53,800	24,324
1990	33,017	17,026
1991	35,883	10,649
1992	46,418	5,628
1993 and beyond*	1,002,977	19,060

*Figures represent combined totals for all years.

The average amount of short-term commercial paper outstanding was $252,000 during 1987 and $165,000 during 1986, and the average amount of other short-term debt was $69,000 during 1987 and $63,000 during 1986. The respective weighted average interest rates for short-term commercial paper and other short-term debt were 6.8% and 12.0% during 1987, and 7.2% and 17.1% during 1986. Maximum month-end borrowings were $408,000 in 1987 and $373,000 in 1986 for short-term commercial paper, and $90,000 in 1987 and $82,000 in 1986 for other short-term debt. Short-term commercial paper was issued and redeemed on the open market in the United States through a money market dealer.

The Company has a $300,000 Revolving Note Issuance Facility with a group of banks for the issuance of short-term notes in the Eurodollar market. The Company also has credit agreements of approximately $175,000 under which it can execute term loans for up to two years. These requirements are satisfied by balances maintained for normal business needs. All of the above credit facilities require a commitment fee, bear interest, if used, at approximately the prime rate, or less, and are available to support domestic commercial paper borrowings. Additional unused credit facilities of $234,000 at December 31, 1987 were available for use by foreign subsidiaries.

The Company has capitalized interest that related to the capital cost of acquiring certain fixed assets. The

total interest costs incurred and the portions capitalized were $122,557 and $2,914 in 1987, $84,717 and $4,570 in 1986 and $79,762 and $5,405 in 1985.

4. Income Taxes

Comparative analyses of the provisions for income taxes follows:

	1987	1986	1985
Current			
Federal	$220,300	$100,500	$ 43,700
State and Local	44,500	22,200	11,500
Foreign	40,600	29,400	18,500
	305,400	152,100	73,700
Deferred			
Federal	(87,900)	8,500	45,400
State and Local	(15,600)	1,400	6,900
Foreign	4,300	4,900	4,700
	(99,200)	14,800	57,000
	$206,200	$166,900	$130,700

The deferred Federal tax provisions in 1987, 1986 and 1985 reflect accelerated write-offs of property and equipment costs, the Federal tax effects of which were $3,800, $10,600 and $38,300, respectively. In 1987, the deferred tax provision also reflects $88,400 of reversals of deferred taxes in connection with the divestiture of the Company's basic chemical and PVC resins business. The decrease in the 1986 deferred tax provision compared with 1985 results from reduced property write-offs and prior year gains on early extinguishment of debt deferred in 1985 to 1986.

Reconciliations of the differences between the Federal statutory tax rates and consolidated effective book income tax rates are as follows:

	1987	1986	1985
Federal statutory tax rate	40.0%	46.0%	46.0%
State tax provision, net of Federal benefit	3.7	3.3	3.1
Capital gain benefits	(0.3)	(2.3)	(0.5)
Foreign tax benefits	(0.1)	(0.9)	(2.3)
Investment and energy tax credits	0.0	(1.1)	(3.2)
Other—net	0.3	(2.2)	(2.8)
Effective book income tax rate	43.6%	42.8%	40.3%

The domestic and foreign components of income before income tax are as follows:

	1987	1986	1985
Domestic	$356,152	$288,234	$260,537
Foreign	117,104	101,978	63,967
	$473,256	$390,212	$324,504

5. Operations by Industry Segment

Information about the Company's industry segments and geographic areas of operation is provided on pages 35 and 36 of this Annual Report and is an integral part of the Consolidated Financial Statements.

6. Pension, Retirement Savings and Certain Postretirement Benefit Plans

Effective January 1, 1986 the Company adopted Statement of Financial Accounting Standard (SFAS) No. 87. The Statement, as required, was adopted on a prospective basis; consequently, the 1985 financial statements have not been restated.

Company charges to operations under the Company's retirement savings plans in 1987, 1986 and 1985 amounted to approximately $12,700, $14,400 and $11,100, respectively. The Company's matching contribution was 100% in 1987, 120% in 1986 and 100% in 1985 of every dollar of eligible contributions by employees. Eligible contributions are 5% for all participating employees and as much as 7% for longer service employees.

For substantially all salaried employees the Company's domestic and Canadian pension plans provide benefits based on the employee's final average compensation and credited service prior to 1988 and career average compensation and credited service after 1987. For hourly employees the plans provide benefits based on specified amounts and credited service.

Pension expense under the Company's domestic and Canadian pension plans for 1987 and 1986 was a credit of $1,500 and $4,500, respectively, and for 1985 was a charge of $3,700. The reduction in 1986 resulted from changes made in actuarial assumptions, cost methods and the adoption of SFAS No. 87.

Following are the components of the net pension credits recognized by the Company for its domestic and Canadian plans in 1987 and 1986 under the provisions of SFAS No. 87:

	1987	1986
Service cost—benefits earned during the period	**$11,100**	$ 7,300
Interest cost on the projected benefit obligation	**33,600**	29,600
Actual return on plan assets	**1,900**	(61,300)
Net amortization and deferral	**(48,100)**	19,900
Net periodic pension credit	**$(1,500)**	$(4,500)

For 1987 the weighted average discount rate and rate of increase in future compensation levels used in determining the net periodic pension credit were 7.5% and 5.5%, respectively, while for 1986 such rates were 9.5% and 7.0%, respectively. The expected long-term rates of return on plan assets for 1987 and 1986 were 8.5% and 10.5%, respectively.

No comparable analysis of the 1985 net pension expense can be made due to differences in actuarial methods and assumptions employed under SFAS No. 87.

Operations were charged approximately $11,900 in 1987, $7,000 in 1986 and $8,000 in 1985 primarily for payments to pension trusts on behalf of domestic employees not covered by the Company's plans and foreign employees.

Most domestic employees not covered by the Company's plans are covered by collectively bargained agreements and are generally effective for periods of from one to three years. Under federal pension law there would be

continuing liability to these pension trusts if the Company ceased all or most participation in any such Trust, and under certain other specified conditions. The annual payment of such continuing liability would not normally exceed the annual amount currently being paid to such Trust. The amount of such liability would be determined should the Company withdraw from participation.

The charges to operations for health and life insurance benefits to retired domestic and Canadian employees under Company plans amounted to $7,800, $4,700 and $5,100 in 1987, 1986 and 1985, respectively.

The combined funded status of the Company's domestic and Canadian plans and the amounts included in the Company's balance sheet at December 31, 1987 and 1986 were as follows:

	1987	1986
Plan assets at fair value	**$441,300**	$409,300
Actuarial present value of benefit obligations:		
Accumulated benefit obligation (including vested benefits of $401,200 and $363,800, respectively	**(425,400)**	(389,900)
Effect of projected future compensation levels	**(10,600)**	(18,400)
Projected benefit obligation	**(436,000)**	(408,300)
Plan assets in excess of projected benefit obligation	**5,300**	1,000
Unrecognized prior service cost	**(16,400)**	—
Unrecognized loss	**49,400**	46,000
Unrecognized portion of net asset upon adoption of SFAS No. 87	**(35,300)**	(45,600)
Prepaid pension cost included in other assets	**$ 3,000**	$ 1,400

Plan assets consist primarily of equity securities and corporate obligations. Common stock of the Company accounted for approximately 10% and 9% of the total market value of plan assets at December 31, 1987 and 1986, respectively.

The weighted average discount rates and rates of increase in future compensation levels used in determining the projected benefit obligation were 9.0% and 6.75%, respectively, as of December 31, 1987, and 7.5% and 5.5%, respectively, as of December 31, 1986.

Foreign pension plans are not significant in the aggregate and therefore are not summarized with the domestic and Canadian plans. However, the total of plan assets and accruals approximated the projected benefit obligation as of December 31, 1987 and 1986.

7. Shareholders' Equity

Each of the 13,022 shares of preferred series B stock bears an annual cumulative dividend of $1.32, is convertible into 3.3 common shares, and is redeemable at the Company's option at $39. At December 31, 1987, 42,974 common shares were reserved for conversion of preferred series B stock.

During 1986, the Company declared a dividend distribution of one preferred stock purchase right (Right) for each outstanding share of common stock. Each Right entitles shareholders to purchase, under certain circumstances, one one-hundredth of a share of Series C Junior Participating Preferred Stock at an exercise price of $175, subject to adjustment. The Rights may only be exercised if a person or group acquires 20% or more of the Company's common stock or announces a tender or exchange offer for 30% or more of the common stock. The Rights, which do not have voting rights, expire on February 10, 1996 and may be redeemed by the Company at a price of $.03⅓ per Right at any time prior to their expiration or the acquisition of 20% or more of the Company's common stock.

In the event the Company is involved in a merger or other business combination transaction in which the Company does not survive or in which its common stock is exchanged, each holder of a Right will be entitled to purchase, at the exercise price, that number of shares of common stock of the acquiring company which at the time of such transaction would have a market value of two times the exercise price of the Right.

Following is an analysis of common shares reserved for stock options under the Company's 1974 and 1984 Stock Option Plans:

	Common Shares Reserved For Stock Options	
	Shares	Price Range
January 1, 1987	1,322,994	$ 8.46-43.44
Grants	625,920	53.63-58.50
Exercises	(226,087)	8.46-35.50
Expirations or cancellations	(98,167)	8.46-53.63
December 31, 1987	1,624,660	8.46-58.50

At December 31, 1987, 1,027,240 options were exercisable. Included with the shares reserved for unexercised options at December 31, 1987 are 757,473 options with stock appreciation rights attached, which permit the holder the election, in lieu of exercising the option, of receiving cash, shares, or a combination of cash and shares. During 1987, 83,795 stock appreciation rights were exercised.

The Company's 1984 Stock Option Plan provides for the grant of options to purchase up to 2,550,000 shares of the Company's common stock. The Plan expires in 1989 and no further options may be granted thereafter. At December 31, 1987 and 1986 there were 767,082 and 1,330,685 shares, respectively, available for future grants.

8. Supplemental Income Statement Information

Set forth below is a comparative summary of certain expense items:

	1987	1986	1985
Maintenance and repairs	**$145,956**	$116,871	$113,320
Depreciation, depletion and amortization	**159,147**	137,237	122,651
Advertising and promotion, including promotions of $309,678, $230,557 and $213,429, respectively	**377,928**	285,091	267,625
Research and development	**25,041**	22,728	23,829
Rent	**51,252**	38,211	34,097

9. Quarterly Financial Data (Unaudited)

1987 Quarters	First	Second	Third	Fourth
Net Sales	$1,428,459	$1,601,747	$1,680,016	$1,804,200
Gross Profit	322,509	392,413	426,929	482,681
Net Income	44,030	62,715	78,995	81,316
Per share of common stock:				
Earnings	.60	.85	1.07	1.10
Dividends*	.28	.32	.32	.32
Market Price Range:				
Low	46⅞	52½	55	30
High	59⅞	63⅝	63⅞	58⅞

*Dividends on preferred series B stock were $.33 in each quarter during 1987.

1986 Quarters	First	Second	Third	Fourth
Net Sales	$1,136,389	$1,236,893	$1,272,460	$1,356,355
Gross Profit	260,255	301,810	336,411	361,428
Net Income	36,679	51,957	65,880	68,796
Per share of common stock:				
Earnings	.49	.70	.89	.93
Dividends*	.253	.28	.28	.28
Market Price Range:				
Low	31¼	37⅛	40	43⅜
High	41⅜	50	51	52½

*Dividends on preferred series B stock were $.33 in each quarter during 1986.

10. Supplemental Information for Changes in Financial Position

The Consolidated Statements of Changes in Financial Position on page 39 have been prepared on a cash basis. The following analyzes the increases (decreases) in the components of working capital and certain elements of the Statements:

Year Ended December 31	1987	1986	1985
Cash (including time deposits and short-term investments)	**$267,884**	$ (11,327)	$ 18,734
Accounts receivable	**41,552**	54,298	60,528
Inventories	**103,606**	39,525	4,306
Other current assets	**18,446**	36,240	13,437
Debt payable within one year	**63,695**	(38,694)	91,740
Accounts and drafts payable	**(63,235)**	(110,409)	(40,445)
Income taxes	**(146,475)**	(22,143)	6,025
Other current liabilities	**4,236**	(128,910)	18,700
Increase (decrease) in working capital	**$289,709**	$(181,420)	$173,025

Division operating income as shown in the Statements less other income and expenses not allocable to divisions and income taxes appearing on page 32 constitutes the net income of the Company.

11. Acquisitions and Divestitures

On November 30, 1987, the Company contributed its basic chemicals and PVC resin business to Borden Chemicals and Plastics Limited Partnership (the Partnership) in exchange for 100% of the Partnership's preference and common units, the general partner interest in the Partnership, and $148,400 net proceeds from a privately placed debt offering by a subsidiary of the Partnership. The Company subsequently sold all of the preference units in two underwritten public offerings for which it received net proceeds of approximately $264,100. The Company, through ownership of common units and general partner interests, retains a combined 25% interest in the Partnership and its subsidiary operating partnership.

During 1987, the Company disposed of five other operations for approximately $60,500 in cash. During 1986, the Company divested its Drake Bakery operations and four other operations for approximately $209,000 in cash and other assets.

During 1987, the Company acquired 23 operations for a total cost of $442,648. The acquisitions include four dairy operations, two snack operations, three pasta operations, three seafood specialty operations, two West German bakeries, two food flavoring businesses, a bouillon operation, a dehydrated soup operation, two wallcovering distributors and three chemical specialty operations. The acquisitions have been accounted for as purchases, and the excess of cost over fair value of net tangible assets acquired is being amortized on a straight-line basis generally over 40 years.

Acquisitions during 1986, with a total cost of $556,160, include the Meadow Gold dairies, three pasta operations, a dehydrated soup and pasta manufacturer, a snacks operation, a producer of clam products, a substitute cheese operation, two wallcovering distributors, and an industrial resins operation. Acquisitions during 1985, with a total cost of $66,044, include the Crown and Sunworthy wallcovering operations, two pasta operations, a dairy operation and a bakery operation in West Germany.

12. Commitments

In connection with the sale of its basic chemicals and PVC resin business to the Partnership, the Company agreed, subject to certain limitations, to provide additional cash to the Partnership, if necessary, to support the payment by the Partnership of its minimum quarterly distribution on all Preference Units through September 30, 1992. This commitment is limited to an aggregate for all periods of approximately $170,000, subject to reduction under certain circumstances. In addition, a wholly-owned subsidiary of the Company, as general partner, will manage and control the activities of the Partnership and will have fiduciary responsibilities to the Partnership's unitholders. The management of the Company believes that any payments pursuant to this commitment or any fiduciary responsibilities will not have a material adverse effect on the financial condition of the Company.

REPORT OF MANAGEMENT

The management of Borden, Inc. is responsible for the preparation of all information, including the financial statements and related notes, included in this annual report to shareholders. The financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances, and include amounts based on the best judgment of management. Financial information included elsewhere in this annual report is consistent with these financial statements.

In recognition of its responsibility for the integrity and objectivity of data in the financial statements, management maintains a system of internal accounting controls. This system includes an organizational structure with clearly defined lines of responsibility and delegation of authority. To assure the effective administration of internal control, employees are carefully selected and trained, written policies and procedures are developed and disseminated, and appropriate communication channels are provided to foster an environment conducive to the effective functioning of controls.

The system is supported by an internal auditing function that operates worldwide and reports its findings to management throughout the year. The Company's independent accountants are engaged to express an opinion on the year-end financial statements. They objectively and independently review the performance of management in carrying out its responsibility for reporting operating results and financial condition. With the coordinated support of the internal auditors, they review and test the system of internal accounting controls and the data contained in the financial statements.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets regularly with independent accountants, management and internal auditors to review the work performed and to ensure that each is properly discharging its responsibilities. The independent accountants and the internal auditors independently have full and free access to the Committee, without the presence of management, to discuss the results of their examinations, the adequacy of internal accounting controls and the quality of financial reporting.

R J Ventres

R. J. Ventres
Chairman and
Chief Executive Officer

L O Doza

L. O. Doza
Senior Vice President and
Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

Price Waterhouse

41 South High Street
Columbus, OH 43215

January 26, 1988

Board of Directors and
Shareholders of Borden, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and changes in financial position present fairly the financial position of Borden, Inc. and its subsidiaries at December 31, 1987 and 1986, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1987, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

Executive Offices
Borden, Inc.
277 Park Avenue
New York, New York 10172
Telephone (212) 573-4000

Administrative Headquarters
180 East Broad Street
Columbus, Ohio 43215
Telephone (614) 225-4000

Annual Meeting
The Annual Meeting will be held on Friday, April 22, 1988, beginning at 11:00 a.m. in the Hunterdon Theatre, Church Street and Route 31, Flemington, New Jersey 08822

Independent Accountants
Price Waterhouse
41 South High Street
Columbus, Ohio 43215

Transfer Agent, Registrar & Dividend Disbursing Agent
The Bank of New York
90 Washington Street
New York, New York 10015
Telephone 1-(800) 524-4458

Dividend Reinvestment Plan
A dividend reinvestment plan is available to Borden shareholders. Quarterly common stock dividends are automatically reinvested in Borden common stock, and optional cash investments may be made for the purchase of additional shares. No service fees or commissions are assessed for shares purchased under this program. For more information, write:

The Bank of New York
P.O. Box 11002
Church Street Station
New York, New York 10277

Borden, Inc. will furnish to any shareholder, without charge, a copy of its most recent annual report on Form 10-K, as filed with the United States Securities and Exchange Commission.

Written requests should be directed to:
Borden, Inc.
Director, Investor Relations
277 Park Avenue
New York, New York 10172

Debenture and Note Trustees
$8\frac{3}{8}\%$ Sinking Fund Debentures
$10\frac{1}{4}\%$ Notes
The First National Bank of Chicago
Chicago, Illinois 60670

$9\frac{7}{8}\%$ Notes
Medium-Term Notes, Series A
The Bank of New York
New York, New York 10015

Exchange Listings
Common Stock (Ticker Symbol-BN)
New York Stock Exchange
The Common Stock is currently listed on exchanges in Tokyo, Japan, and Basel, Geneva, Lausanne and Zurich, Switzerland.

New York Stock Exchange
$8\frac{3}{8}\%$ Sinking Fund Debentures, due 2016
$10\frac{1}{4}\%$ Notes, due 1995

Date and State of Incorporation
April 24, 1899-New Jersey

IF IT'S BORDEN®–IT'S GOT TO BE GOOD

BORDEN

BORDEN, INC. 277 PARK AVENUE NEW YORK, N.Y. 10172